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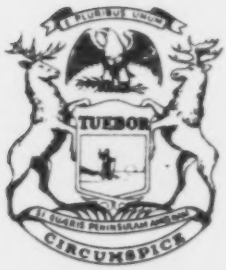
# ANNUAL REPORT

## FINANCIAL INSTITUTIONS BUREAU

Calendar Year

# 1988




Michigan Department of Commerce

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STATE OF MICHIGAN
DEPARTMENT OF COMMERCE

JAMES J. BLANCHARD
GOVERNOR

DOUG ROSS
DIRECTOR

# FINANCIAL INSTITUTIONS BUREAU

GRANDVIEW PLAZA BUILDING
FIFTH FLOOR
LANSING, MICHIGAN

EUGENE W. KUTHY
COMMISSIONER

RUSSELL S. KROPSCHOT
CHIEF DEPUTY COMMISSIONER

## ANNUAL REPORT

## CALENDAR YEAR 1988

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STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

JAMES J. BLANCHARD
GOVERNOR

Greetings:

Michigan's financial services industry continues to display a healthy combination of competitive growth balanced with safety and soundness.

Over the past few years, geographic restrictions gradually have been removed until full, statewide bank branching was permitted in 1988. Concurrently, bank powers have expanded so that Michigan's state-chartered banks can compete effectively in a rapidly changing marketplace. Over time, this orderly deregulation culminated in the October 19, 1988 trigger for national reciprocal interstate banking. As a result, Michigan's banks now can compete aggressively in other states, particularly in the Midwest region. In the context of sound management and firm but fair state regulation, deregulation has brought new players and products to Michigan. Of utmost importance, it has attracted more sources and types of competitively-priced capital.

These initiatives have dovetailed with efforts to encourage Michigan's depository financial institutions to help break the cycle of urban disinvestment. By year end 1988, several banks had worked out agreements with concerned citizen groups to identify credit needs in their communities and to prepare plans to meet them. These agreements will infuse substantial new funds into local credit-worthy businesses and housing. Such cooperative efforts demonstrate what can happen when community and business leaders come together to tackle problems.

This annual report reveals the strength of Michigan's financial services industry. I commend those in the private sector as well as those on the regulatory side in state government for making Michigan's financial services industry responsive to the needs of our growing economy while maintaining an enviable record of safety and soundness.

Sincerely,

James J. Blanchard
Governor

# COMMISSIONER'S COMMENTS

The year 1988 has been a momentous year for the financial services industry in Michigan. Many important events occurred to mark the year as a watershed for financial services providers and consumers.

## DEPOSITORY INSTITUTIONS

State depository financial institutions are in a safe and sound condition. There were no failures of savings and loan associations or credit unions in 1988; however, Michigan experienced its first state bank failure in more than six years. The First State Bank of White Cloud was in an unsafe and unsound condition and was found to be insolvent. The Federal Deposit Insurance Corporation was appointed receiver in February. The deposit liabilities and most of the assets were taken over by the People's State Bank of St. Joseph. Funds of all depositors, including those exceeding $100,000, were protected. It is important to note, the failure of this bank was not due to economic conditions in its service area but rather to mismanagement and other internal problems.

State banks in 1988 were afforded many new powers and greater geographic flexibility, as a result of the passage of legislation which became effective August 1, 1988. This legislation, in addition to authorizing many new specific powers for state banks, gives the Commissioner the ability to permit new and expanded powers for state chartered banks so that they can remain competitive with other providers of financial services. The legislation also allows banks under appropriate approvals and controls to branch statewide, relocate their main office to any location within the state, and contract with another bank to provide branching services to each other's customers.

## NON-DEPOSITORY INSTITUTIONS

Passage of 1987 PA 173 came amid a trend toward further securitization in the national mortgage market that has seen non-traditional players increasingly supplying more home mortgage credit. Mortgage companies in Michigan, as befits their traditional roles as originators and sellers of mortgages, will continue to be major players in tapping these and other sources of mortgage credit. What is so striking is that, increasingly, savings institutions and banks are operating less as portfolio lenders and more like mortgage companies than was true in the past.

It should be recalled that during the negotiations prior to passage of PA 173, the major goals were to eliminate the abuses (like those committed by Diamond Mortgage-A.J. Obie, whose business was largely confined to Michigan) without impairing the marketability of Michigan mortgages. I am confident that these goals have been and will continue to be met.

On the first of September, the state's Omnibus Licensing Act, 1988 P.A. 161, took effect. This new law permits an applicant to submit one application and pay one fee in order to be licensed to offer a variety of financial services. The licenses which come under the purview of Omnibus Licensing are those obtained through the Regulatory Loan Act of 1963, the Credit Card Act, the Motor Vehicle Sales Finance Act, the Second Mortgage Act, the Mortgage Brokers, Lenders and Servicers Licensing Act,

and the Sale of Checks Act. There is much enthusiasm for this streamlined method of regulation and, at year end, the new applications for omnibus licensing were being requested by companies eager to take advantage of this program.

During 1988, the Bureau continued to act as receiver of Grand Money Order Company, based in Detroit. The Bureau marshalled the assets of the company, collected the bond, and prepared a payout schedule for money order claimants and creditors which met the approval of Wayne County Circuit Court. In October, 1988, 15 months after the Bureau took control the company, 11,383 customers received 100 per cent reimbursement. The amount of money order claims totaled $905,791. The significance of this speedy settlement action was that Detroit-area residents of limited means, who were the majority of the customers of Grand Money Order Company, were made whole. The Department of Attorney General, which assisted in this effort, should be commended for the persistence and professionalism demonstrated in obtaining this judgement.

## COMMUNITY REINVESTMENT AND ECONOMIC DEVELOPMENT

An important event in 1988 was the protest by a community organization of an interstate acquisition by a Michigan bank holding company. The Detroit Committee for Responsible Banking objected to the application by Comerica, Inc. to purchase a Texas bank holding company, and argued that applicant's lead bank in Detroit had not been responsive to the credit needs of its community. In my order of July 29, I approved the acquisition conditioned on having the bank, in cooperation with community groups and city officials, develop a plan to meet the credit needs of its community. Such a plan was developed by Comerica Bank-Detroit in August and targets an aggregate lending goal of more than $280 million over a three-year period in a variety of loan products for city residents. Later in the year, First of America Bank Corporation, also facing a challenge to an acquisition, developed a community investment plan in conjunction with groups and city officials in Detroit. I wish to take this opportunity to commend the chief executives of these two fine organizations for their foresight, flexibility and sense of responsibility in responding as they did to these important concerns. At year end, other Detroit-based depository financial institutions had also developed community investment plans.

Detroit community leaders continued their study of the feasibility of the city as a regional financial center in 1988. The Detroit Regional Financial Center Task Force investigated the prospects of local tax incentives which could be brought to bear to provide inducements for financial institutions to expand or locate in the city. The Task Force also looked at what specific state actions, including legislative changes, would be appropriate to help make Detroit a more attractive site for financial services providers. The Bureau also continued its promotion of Michigan as a location for foreign banks. In October, two of my deputies and I traveled with the Commerce Department's International Division to Europe and visited bank officials in Sweden, Italy and France. We have followed up on the contacts made on this trip through meetings with U. S. offices of foreign banks, trade commissioners of foreign countries, and through the Institute of Foreign Banks. I am confident we will find more foreign financial institutions locating in Michigan next year.

## DUAL BANKING SYSTEM

The year 1988 also presented significant challenges to the dual banking system. Two of the most important issues have yet to be finally resolved: The AMBAC (American Municipal Bond Assurance Corporation) case and the Federal Reserve's proposed amendments to Regulation Y. On both of these matters, the Conference of State Bank Supervisors has been the voice for state bank regulation. CSBS, along with several others, filed an amicus curiae brief on AMBAC; on Regulation Y, CSBS and others called for a public hearing on the proposed amendments.

Because of these important dual banking issues and other major issues affecting financial institutions, I thought it important to establish a means of communicating directly with the state banking industry. In 1988, I established the Council of State Bank Representatives, an advisory group to me and my senior executives in matters affecting the dual banking system. The Council is composed of 19 chief executives of state-chartered banks from throughout Michigan. Our first meeting was held in December and provided a helpful exchange of information. The members of the Council are listed here. I look forward to their continued advice and input in 1989.

Martin J. Allen
Old Kent Bank and Trust
Grand Rapids

Joseph Arpin
Automotive Financial Services
Highland Park

Andrew R. Brodhun
Security Bancorp
Southgate

Jerry Campbell
Republic Bancorp, Inc.
Owosso

Richard Chormann
First of America Bank Corporation
Kalamazoo

George Cress
Trustcorp Bank-Ann Arbor
Ann Arbor

Craig M. Goodlock
Farmers State Bank of Munith
Munith

Forrest A. Henslee
First State Bank of Escanaba
Escanaba

Louis J. Hollow
First State Bank of Charlevoix
Charlevoix

Lawrence A. Johns
Isabella Bank and Trust
Mount Pleasant

Charles S. Kassab
Warren Bank
Warren

Merel F. Keck
Monroe Bank and Trust
Monroe

Gene O. Kintner
Farmers and Merchants State Bank
of Hale
Hale

Thomas Mines
Comerica, Incorporated
Detroit

William C. Nill
First State Bank of East Detroit
East Detroit

Alan W. Ott
Chemical Bank and Trust
Midland

William Powers
River Place Financial Corporation
Detroit

Thomas A. Van Buren
State Savings Bank of Scottville
Scottville

Charles R. Weeks
Citizens Banking Corporation
Flint

## CONCLUDING REMARKS

This is an opportune time for me to commend the executives and staff of the Financial Institutions Bureau for the sterling service they provide the public. I assure Michigan citizens that the Bureau will continue its high standards of vigilance in ensuring the continued safe and sound operation of state-chartered financial institutions.

Eugene W. Kuthy
Commissioner

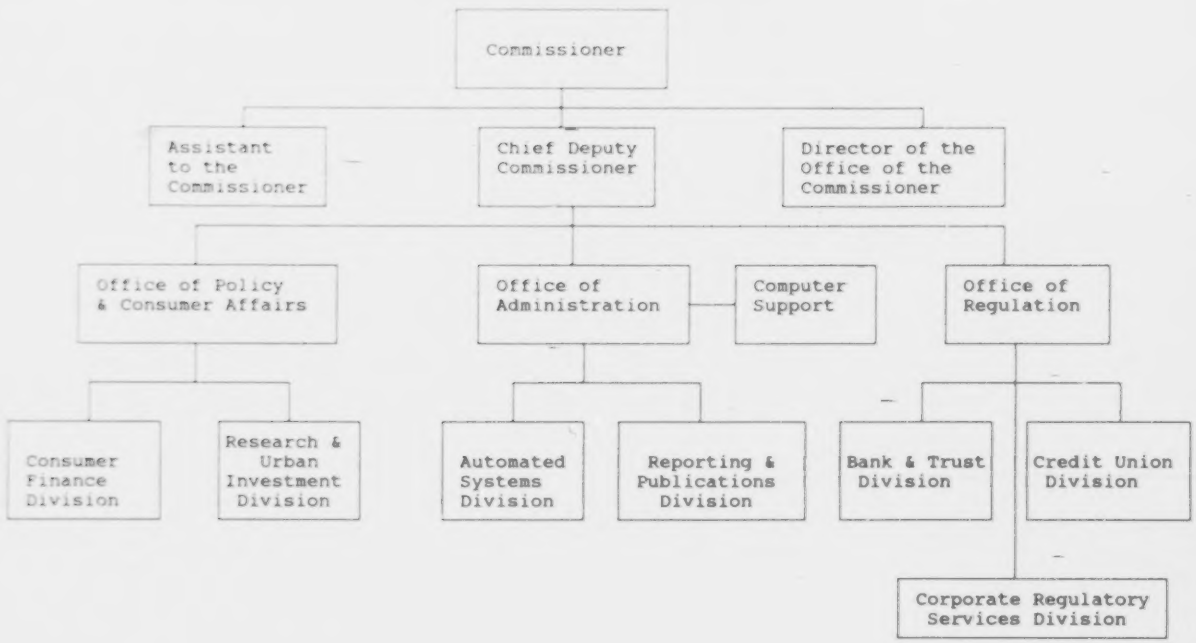
# FINANCIAL INSTITUTIONS BUREAU

The Financial Institutions Bureau of the Michigan Department of Commerce was created under Section 11 of the Michigan Banking Code of 1969 and is responsible for the chartering, regulation, examination and supervision of state-chartered banks, credit unions and savings and loan associations. The Bureau also licenses and supervises the activities of regulatory loan companies, motor vehicle installment sellers, sales finance companies, first mortgage lenders, secondary mortgage lenders, sellers of money orders, credit card issuers, BIDCO's (Business and Industrial Development Corporations) and licensees under the Consumer Financial Services Act; administers and enforces Michigan's mortgage anti-redlining law; monitors electronic fund transfer activities and conducts various consumer complaint and information programs.

**Organization**

The overall administration of Bureau activities is the responsibility of the Commissioner of the Financial Institutions Bureau. The Commissioner is appointed by the Governor with the approval of the Senate and serves at the pleasure of the Governor under the provisions of the Michigan Banking Code. The Commissioner is assisted in the administration of the Bureau by a Chief Deputy Commissioner, Deputy Commissioners of the Office of Regulation and Office of Policy and Consumer Affairs, and the Director of the Office of Administration.

## ORGANIZATIONAL CHART



## Mission and Goals

The primary mission of the Financial Institutions Bureau is to maintain public confidence in Michigan's financial institutions. To fulfill this mission, the Bureau has three major goals:

1. To ensure that safe and sound financial practices, which minimize the risk of insolvency, are being exercised.

2. To ensure that financial services are available to meet public (consumer and business) demand and that consumer/depositor protections are adequate.

3. To maximize the capacity of Michigan's financial intermediary system to foster efficient and effective use of Michigan's capital resources.

The Bureau achieves these goals by:

- Examining and supervising financial institutions;
- Developing a highly efficient and effective staff; and
- Developing and maintaining open lines of communication with consumers, financial industries, governmental agencies and others.

## Bureau Revenue and Expense

In fiscal year (FY) 1988 the Bureau was 89% funded from restricted bank, credit union, savings and loan and consumer finance fees. The remaining spending authorization was funded with general purpose state funds.

Total restricted revenue in FY 88 increased by 10% to $6,795,000. Bureau expenditures increased 7% in FY 88 to $7,235,000. The ratio of restricted revenue to expenses in FY 88 was 93%.

**BUREAU REVENUE AND EXPENSE**
**Dollars in Thousands**

| Program | FY 1984 | | FY 1985 | | FY 1986 | | FY 1987 | | FY 1988 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Revenue | Expense | Revenue | Expense | Revenue | Expense | Revenue | Expense | Revenue | Expense |
| Bank and Trust | $2,752 | $2,898 | $2,996 | $3,251 | $3,408 | $3,472 | $4,169 | $3,906 | $4,205 | $3,918 |
| Credit Union | 1,410 | 1,467 | 1,656 | 1,601 | 1,808 | 1,703 | 1,718 | 1,961 | $2,141 | $1,946 |
| Corp. Reg. Services* | 51 | 263 | 41 | 218 | 30 | 276 | 22 | 384 | 38 | 516 |
| Consumer Finance | 162 | 275 | 161 | 257 | 187 | 336 | 183 | 275 | 411 | 667 |
| Mortgage Anti-Redlining | 0 | 160 | 0 | 194 | 0 | 192 | 0 | 182 | 0 | 188 |
| TOTALS | $4,375 | $5,063 | $4,854 | $5,521 | $5,433 | $5,979 | $6,092 | $6,708 | $6,795 | $7,235 |

* Includes Savings and Loan Regulation, which merged into Corporate Regulatory Services in 1987.

## Regulatory Responsibilities

At year-end 1988 the Bureau was responsible for the regulation, examination and supervision of 702 financial institutions with assets in excess of $47 billion.

STATE-REGULATED FINANCIAL INSTITUTIONS
Dollars in Billions

| | Banks | | Credit Unions | | Savings & Loans | | Regulatory Loan Licensees | | Totals | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 | 1987 | 1988 |
| Main Offices | 219 | 204 | 446 | 433 | 6 | 4 | 64 | 61 | 735 | 702 |
| Branch Offices | 1,133 | 1,128 | --- | --- | 13 | 12 | --- | --- | 1,146 | 1,140 |
| Total Assets | $ 38.1 | $ 38.9 | $ 7.1 | $ 7.4 | $ .62 | $ .3 | $ .4 | $ .6 | $ 46.2 | $ 47.2 |
| Total Loans | $ 21.5 | $ 22.7 | $ 3.4 | $ 3.8 | $ .52 | $ .2 | $ .1 | $ .1 | $ 25.5 | $ 26.8 |
| Total Deposits | $ 32.1 | $ 33.6 | $ 6.6 | $ 6.7 | $ .5 | $ .2 | --- | --- | $ 39.2 | $ 40.5 |

It is primarily through the examination and supervision process and the regulation of corporate activities that the Bureau determines if Michigan's state-regulated financial institutions are complying with applicable law and exercising sound financial practices. The Bureau continues to play a more active role in evaluating management, boards of directors, their policies and programs and to pursue steps to ensure that each institution's board of directors and management recognize their responsibility for the safe and sound operation of the financial institution.

During an examination, Bureau examiners evaluate an institution's management, quality of assets, capital adequacy, earnings and liquidity. If an examination reveals a situation which may constitute a potential threat to the safety and soundness or the solvency of the institution, appropriate supervisory action is initiated. Such action may include board meetings, memoranda of understanding, cease and desist orders, officer and director removals and an extensive program of follow-up visitations of problem institutions.

In addition to examinations, the Bureau conducts on-premise evaluations of data processing centers serving financial institutions. The purpose of these evaluations is to bring to the attention of financial institutions areas in data processing operations which could lead to inaccurate, interrupted or discontinued processing.

## Outlook for the Future

The market place in which financial services are provided to the public continues to become more and more competitive. This competition benefits the consumer in many ways; however, it seems that abuses and schemes that take unfair advantage of the consumer appear to be more prevalent. The challenge to FIB in the future is to develop cost effective programs that give the consumer mechanisms for identifying and dealing with those few providers of financial services who attempt to take unfair advantage of the consumer.

# SIGNIFICANT DEVELOPMENTS

## Bank Structure Developments

The enactment of Public Act No. 200 on August 1, 1988 was a significant development in the Bureau's efforts during the past decade to modernize Michigan's banking structure. This legislation allows Michigan banks to branch anywhere in the state, notwithstanding previous restrictions involving county location, distance from the main office and home office protection. This removal of geographic restrictions on expansion is expected to increase competition for a full range of convenient financial services while ensuring that Michigan banks remain competitive with other providers of financial products.

Michigan banks were quick to respond to this new authority. The Financial Institutions Bureau received 19 branch applications for previously ineligible locations during the last six months of 1988. Of these, only one proposed the establishment of a branch more than 25 miles from its main office location. All of the applications, however, involved establishing a branch within a city or incorporated village previously off limits due to the presence of another bank's office in the city or village. The new law also allows banks to contract with other banking institutions in order to provide branch services for customers of the other banks. Two applications have been received under this provision of the act, and both involve services to be offered to customers of affiliated banks, rather than services to (or between) non-affiliated banks. While it may not increase competitive pressures, this new authority may allow banks to provide their services jointly in areas where it was not economically feasible to do so individually. In this way, full financial services may be provided in areas which currently are not served by a convenient bank office.

Other changes in the act make it easier to relocate a bank's main office, establish a branch office or engage in certain securities activities. Finally, the act gives the Commissioner greater authority and flexibility, in response to changing economic and competitive conditions, to grant state banks new powers which are incidental to the business of banking.

On October 10, 1988, Michigan's interstate banking law changed from a regional to a nationwide basis. That is, a bank holding company in any state of the nation (where a Michigan bank holding company could acquire a bank) may apply to acquire a Michigan bank. Prior to October 10, such interstate acquisitions were limited to organizations located in the "Midwest region" (Illinois, Indiana, Ohio and Wisconsin) or to states outside this region which had no reciprocity requirement in their interstate banking laws. Prior to October 10, 1988, there was one interstate acquisition of a full-service bank outside the Midwest region: Comerica Incorporated's acquisition of Grand Bancshares (effective on November 21, 1988). The other banks acquired outside the Midwest region prior to October 10, 1988 were limited-purpose banks. No applications were received by the Bureau in 1988 under this expanded authority.

## Comerica Application to Acquire Grand Bancshares

For a discussion of this application, please see the section entitled,

Summary of Orders, Rules, Releases and Bulletins and the order appearing in the APPENDIX.

**First of America Bank Corporation Application to Acquire Quad Cities First Company**

For a discussion of this application, please see the section entitled, Summary of Orders, Rules, Releases and Bulletins and the order appearing in the APPENDIX.

**Home Equity Lending**

Home equity lines of credit continue to be popular for financing a wide variety of consumer purchases. Because interest deductions for many forms of consumer credit are being phased out as a result of the Tax Reform Act of 1986, home equity lines of credit are expected to become more attractive. Michigan in particular, with its above-average percentage of income tax itemizers and high rate of home ownership, could see a substantial increase in this form of consumer credit.

In response to concerns that consumers were not being provided adequate information to make informed choices among the various home equity loan products available, Congress in 1988 enacted the "Home Equity Loan Consumer Protection Act." The law is expected to take effect September 1, 1989 and will require lenders to disclose loan features that will enable consumers to evaluate home equity loans more easily. For example, on a variable rate home equity loan, a consumer would receive information about how changes in the interest rate are made, the index to which the rate is tied, the maximum amount that the rate may change in a year, the earliest date on which the maximum rate may be imposed, the fees charged, and a statement that negative amortization may result.

The Financial Institutions Bureau has developed a consumer brochure on home equity loans to be published in 1989. The brochure outlines the various features and risks associated with home equity loans and their use.

**Legislative Developments**

House Bill 5358 (P.A. 41)

Public Act No. 41 of 1988 amends the Sale of Checks Act which regulates the business of selling travellers checks, drafts, and money orders for a fee. The amendment grants a licensee the option of providing an irrevocable letter of credit in lieu of the required surety bond as security against loss due to failure of a licensee. The letter of credit must be issued by a bank, credit union, or savings and loan association.

House Bill 5208 (P.A. 161)

Public Act No. 161 established a new type of licensed financial service provider which can offer a variety of financial services previously licensed under separate acts. The new act, known as the Consumer Financial Services Act, provides for two levels of licensure.

A Class I licensee may provide those services authorized by the Regulatory Loan Act of 1963, the Secondary Mortgage Act, the Motor Vehicle Sales Finance Act, the Credit Card Act, the Sale of Checks Act, and the Mortgage Brokers, Lenders, and Servicers Licensing Act. A Class II licensee may provide all of the services authorized for a class I licensee except for activities authorized by the Sale of Checks Act and the Mortgage Brokers, Lenders, and Servicers Licensing Act. This structure recognizes that certain activities may involve handling the consumer's money and is intended to protect against loss.

The development of these new financial service providers follows the recommendations of a broad-based committee appointed in 1985 by Financial Institutions Bureau Commissioner Eugene Kuthy to examine the availability and affordability of basic financial services to residents of older urban areas. Following the deregulation of deposit interest rate ceilings, many depository institutions, in response to increasing costs of funds and declining depositor bases, have been forced to close unprofitable branches (many in older urban neighborhoods) and to charge for those services previously provided free. The consumer financial services licensing concept is seen as a means of providing non-depository financial institutions with the ability to offer several financial services in a more cost effective way.

House Bill 5115 (P.A. 200)

Public Act No. 200 of 1988 makes significant changes to the Michigan Banking Code of 1969. The legislation allows state banks to branch on a statewide basis.

The Banking Code now allows a state or national bank to contract with another bank to provide services to its customers and gives state banks the ability to move their main offices anywhere in Michigan with the approval of the Commissioner.

The legislation also charges the Commissioner with maximizing the capacity of banks to offer convenient and efficient financial services, promoting economic development, and ensuring that banks remain competitive with other types of financial institutions. Specifically, it provides that when considering whether to authorize new powers, the Commissioner must consider the powers of national banks and other directly competing financial service providers and the ability of a bank to exercise the new powers in a safe and sound manner. The legislation, however, does not authorize the Commissioner to grant authority to banks to sell insurance.

The law also removed restrictions which prohibited a bank from engaging in specific securities activities and provides the Commissioner of the Financial Institutions Bureau with greater flexibility to authorize banks to offer new products and services.

House Bill 5584 (P.A. 238)

This bill amended the Revised Probate Code, Act No. 642 of the Public Acts of 1978. It specifically exempts the assets of an Individual Retirement Account (IRA) from the estate of the deceased account holder and allows the assets to pass directly to the named beneficiary.

Previously, a federal court decision had held that these assets belong to the estate of the deceased and would need to pass through probate. Many financial institutions had provided custodial IRA arrangements to their customers with the understanding that the assets of the account would pass directly to the named beneficiary at death, similar to the proceeds of life insurance and trust accounts.

House Bill 5049 (P.A. 242)

Public Act No. 242 of 1988 amends the Motor Vehicle Sales Finance Act which regulates the financing of installment sales of motor vehicles. The amendments increase the amount of the bond required of a licensed sales finance company from $5,000.00 to $20,000.00 for the first license and from $5,000.00 to $10,000.00 for each additional licensed location of the same company. Licensed first mortgage, second mortgage or small loan companies which also operate as sales finance companies would only be required to provide a bond of $5,000.00

for each location licensed as a sales finance company.

License application fees are increased under the act from $100.00 to $150.00 for a first sales finance company license and from $50.00 to $75.00 for each additional location of the same company, except depository financial institutions, whose fee would increase from $25.00 to $35.00 for each licensed location. The license application fee for an installment seller of motor vehicles (i.e., auto dealers who finance their sales) would increase from $20.00 to $30.00 for each location.

The bill also allows the Commissioner, for the first time, to charge a fee for examinations conducted pursuant to the act and to retain those fees for use in the enforcement activities of the Bureau. The fee will range from $20.00 up to a maximum of $40.00 per examiner hour or from $.08 to a maximum of $.20 per installment sales contract, whichever is less. An examination fee based on a per-contract rate will be at least $150.00. Additionally, a licensee would not be required to pay for more than one examination in any calendar year and an installment seller would not be required to pay more than $200.00 for an examination unless the licensee holds its own installment sales contracts.

Senate Bill 34 (P.A. 276)

Public Act No. 276 of 1988 amends the Michigan Penal Code by making the commission of certain acts involving an electronic funds transfer card, debit card, point-of-sale card, or similar device a felony or misdemeanor. Previously, only actions involving stolen credit cards were covered under this section of the Penal Code.

Senate Bill 879 (P.A. 285)

Public Act No. 285 of 1988 amends Public Act No. 20 of 1943 which governs the investment of surplus funds by certain political subdivisions of the state. The amendments allow these political subdivisions to deposit funds received under an eligible deferred compensation plan in financial institutions authorized to do business in this state - or with an authorized deferred compensation agent. The amendments also "grandfather" any such investment that existed prior to the amendatory act and which otherwise meets the requirements of the act.

Senate Bill 39 (P.A. 311)

Public Act No. 311 of 1988 amends the Michigan Banking Code of 1969 to limit bank directors' personal liability for a breach of duty. The act also allows a bank to indemnify a person who is named in a suit because of his or her position with the bank and specifies how to determine whether such indemnification is proper.

These changes in the Michigan Banking Code of 1969 parallel changes made in the Michigan Corporation Act during 1987 to increase the availability and affordability of directors and officers liability insurance in Michigan.

House Bill 5351 (P.A. 361)

Public Act No. 361 of 1988, known as the Credit Services Act, regulates the business of credit assistance services. These organizations attempt to improve a person's credit record, history or rating; assist in obtaining an extension of credit; or provide advice in these matters for a fee. The Credit Services Act prohibits certain practices and requires credit service organizations to maintain a surety bond. Prior to execution of a contract, a credit service

organization must provide a written statement regarding the customer's right to view their credit file and to dispute inaccurate information in the file. The organization also must describe in detail the services to be performed and their cost. The act also establishes contract requirements including a cancellation provision, details of any payment terms, a full description of the services to be provided, and the identity of the provider. Finally, the act provides remedies and penalties for violations.

House Bill 5649 (P.A. 429)

Public Act No. 429 amends the Home Improvement Finance Act which regulates home improvement installment contracts. The legislation extends until December 31, 1991 a maximum interest rate of 16.5% per annum on a contract entered into after the rate paid at two successive auctions of 26 - week United States treasury bills is 8% or more. Contracts entered after the interest rate paid at two successive auctions of 26 - week treasury bills falls below 8%, may not bear finance charges in excess of $8.00 per $100.00 per annum.

House Bill 4714 (P.A. 444)

Public Act No. 444 of 1988 amended the Second Mortgage Act of 1981 to require that all license and examination fees collected under the act be used only for the operations of the Bureau. Previously, funds collected through the administration of the act were deposited to the state general fund and the Bureau relied on general fund appropriations to fund the supervisory activities under the act. This self-funding arrangement is seen as a responsible method of providing long-term stability in the second mortgage supervisory program.

House Bill 5737 (P.A. 451)

Public Act No. 451 of 1988 amended the Mortgage Brokers, Lenders, and Servicers Licensing Act of 1987. The definition of a mortgage loan has been changed to exclude vacant and commercial property. The act also reduced the required bond for a licensed mortgage broker and/or lender from $25,000.00 to $15,000.00. It exempts a broker from the bond requirement completely if it escrows funds received from borrowers prior to closing and a CPA verifies that the required net worth is maintained.

Licensed real estate brokers and salespersons which only service land contracts can obtain a waiver of the bond and net worth requirements if they have a satisfactory record of compliance with applicable state and federal law and do not engage in any other activity regulated by the act. Other mortgage servicers will be exempt from the act if they service 75 or fewer land contracts, of which not more than 10 require the collection of money for the payment of taxes or insurance.

Finally, the amendments permit proration of license fees for new licenses issued within six months of their statutory expiration date.

**Summary of Orders, Rules, Releases and Bulletins**

**Order -- Application by Comerica, Inc. to acquire Grand Bancshares, Dallas, TX**

On April 8, 1988, Comerica Incorporated applied to the Bureau for permission to acquire Grand Bancshares, Inc. of Dallas, Texas. The application was protested by the Detroit Committee for Responsible

Banking (DCRB) on the grounds that the community reinvestment record of the applicant's lead bank in Detroit was less than satisfactory. The Commissioner granted the DCRB request for oral argument on the application, and the arguments were heard on June 17, 1988.

After reviewing the materials contained in the application and other data available to the Bureau the Commissioner found support for the protestant's charge that Comerica Bank-Detroit had a less than satisfactory record in terms of its overall commitment to the Community Reinvestment Act (CRA). The Commissioner noted, however, that recent actions taken by Comerica Bank - Detroit indicated an apparent change in policy direction which could enhance its community responsiveness. His order on the application, issued on July 29, 1988, granted approval conditioned upon the holding company's adoption of "a written plan for enhancing the performance of Comerica Bank - Detroit relative to meeting the credit needs of its community, which is acceptable to the Commissioner." The order also called for quarterly reporting on achievement of plan goals.

Such a plan was developed in consultation with community groups and the City of Detroit. It addressed the types and amounts of credit to be extended, the planned geographic distribution of such credit, how credit is to be marketed, and methods employed by the bank to assure that discrimination will not occur. The plan was approved on September 19, 1988 and Comerica's acquisition of Grand Bancshares was effective on November 21, 1988.

**Order -- Application by First of America Bank Corporation to acquire Quad Cities First Company, Rock Island, Illinois**

On August 23, 1988, First of America Bank Corporation (APPLICANT) applied for permission to acquire Quad Cities First Company of Rock Island, Illinois. The application was protested by Michigan ACORN on the basis that APPLICANT had ignored the credit needs of businesses and residents of low to moderate income neighborhoods in the communities served by its bank subsidiaries, particularly in the City of Detroit. The Commissioner granted the Michigan ACORN request for oral argument on the application, and the arguments were heard on October 28, 1988.

After considering the record developed in connection with APPLICANT's application, the Commissioner (in an order dated December 20, 1988) found that while the historic record of APPLICANT's Detroit subsidiary had been deficient in meeting the mortgage credit needs in low income areas in the City of Detroit, the bank's recent initiatives to determine and meet the credit needs of the residents and businesses in the city reflected a positive trend. The Commissioner approved the application but required that APPLICANT submit quarterly reports to the Bureau providing details on the efforts of its Detroit bank subsidiary in meeting the goals outlined in its plan dated October 12, 1988.

**2. BANK BULLETIN #33 -- re: Branch services under contractual agreement**

On September 28, 1988, the Bureau issued a bulletin regarding a new

power granted to banks by Public Act 200 of 1988 (see Legislative Developments). That Act permits a bank to contract with another bank or banks to act as a branch to provide services to the customers of the contracting bank.

The bulletin urged banks' boards of directors to fully review a variety of issues before entering into a branch services contract and imposed the requirement that contract provisions address:

1) That the contract will not be effective until the Commissioner has granted approval;
2) That material changes in a contract are subject to the Commissioner's approval and advance notice is to be provided to the Commissioner of any contract extension or amendment; and
3) That notices be provided to the Commissioner and to customers before terminating the agreement.

Branch service contracts will be accorded confidential treatment and will not be part of the public file.

**ADDENDUM TO CREDIT UNION BULLETIN 85-1 -- re: Examination Policies and Procedures**

Issued on February 1, 1988, this Bulletin advises credit unions of two new examination procedures designed to increase regulatory efficiency and to reduce disruption of credit union operations during examinations. First, credit unions will be asked to complete a "pre-examination survey" which will aid in setting the scope of the examination. Second, credit unions which have annual comprehensive audits are to forward copies of the audit, engagement letter, and auditor's letter to management immediately upon receipt from their auditors.

**CREDIT UNION BULLETIN 88-1 -- re: Credit Union Service Organizations: Providing Credit to Other than Credit Union Customers**

Credit Union Bulletin 88-1 was issued on April 22, 1988 in response to a request for interpretation of the term "engaged primarily" in R490.12 which defines "credit union service organization" (CUSO). The Bulletin stated that "engaged primarily in providing the products or services set forth [elsewhere in the rule]... to credit unions or their members implies that all customers of a CUSO need not be credit unions or their members (credit union customers)." The Bureau will make a case-by-case determination regarding whether a credit union's organization of, investment in, or loan to a CUSO which serves other than credit union members is proper. Factors which will be considered will include the proportional income, expenses, number of customers and overhead attributable to customers who are credit union customers and to other customers.

**CREDIT UNION BULLETIN 88-2 -- re: Capital Adequacy**

The policies and procedures used by the Financial Institutions Bureau to determine the adequacy of a credit union's capital were explained in Credit Union Bulletin 88-2, issued May 27, 1988. Capital was defined as "Undivided Earnings, Gain or Loss to Date, Regular Reserves (not including the Allowance for Loan Losses and Allowance for Investment Losses), and any other Reserve Accounts." The following factors provide the framework for evaluation of capital adequacy: management, assets, earnings

level and trend, comparative ratios, liability, share/deposit structure, share/deposit trends, solvency ratio, and allowance for loan losses. The Bureau also considers whether the credit union's Board of Directors has developed a capital adequacy policy, asset growth policy, and a plan to ensure that equity increases at a rate at least equal to asset growth.

# PLANS AND OBJECTIVES FOR 1989

## Economic Development Activities

During 1989, the Bureau will work with the Department of Commerce to maximize opportunities presented through implementation of the U.S. - Canadian Free Trade Agreement. Financial institutions should benefit from increased trade between the two nations, and there will be increased opportunities for import/export financing.

The Bureau is continuing to work with the Detroit Financial Center Task Force which is developing a program to promote Detroit as a major regional financial center in the Midwest. If successful, expanded economic development in the city would benefit the state as a whole.

During 1989, the Bureau will implement the Consumer Financial Services Licensing Act of 1988. The Act reduces the cost and red tape associated with obtaining licenses to provide a variety of financial services. It is seen as a way of encouraging companies to obtain licenses to offer much-needed financial services (such as small loans, mortgages and money orders) to consumers living in areas which have experienced the loss of banking services.

The Bureau is pursuing several programs that were mentioned in the Governor's State of the State including the following: looking at ways to ensure the availability of capital for service-sector businesses and minority- and women-owned businesses; examining ways to enhance the cost advantages and competitiveness of the auto industry's financial subsidiaries; undertaking a research effort to track the sources and uses of capital with the goal being the removal of barriers that currently discourage the entry or retention of capital; working with federal regulators, banks and community groups to ensure compliance with the Community Reinvestment Act; and urging Congress to require that federal regulators disclose to lenders and to the public the ratings assigned to the lenders.

In response to the commitments made by several Detroit lenders to increase their lending to residents and businesses of Detroit, the Bureau has begun discussions with secondary market agency representatives. In December, the Bureau met with officials of the Federal National Mortgage Association to obtain feedback on ways of designing new loan products which the secondary market would find acceptable. The Bureau plans to meet with representatives of the Government National Mortgage Association and the Federal Home Loan Mortgage Corporation to more closely examine this issue.

In November, the Commissioner and two deputy commissioners along with representatives of the Commerce Department's International Division visited bank officials in Sweden, Italy and France. In addition, Bureau representatives have continued to meet with the Foreign Bank Advisory Committee, a committee established by Commissioner Kuthy in 1985. The committee has promoted communication and has served as a valuable source of information. The Bureau is optimistic that more foreign banks will locate in Michigan in the near future.

## Legislative Objectives

The Bureau has identified five major legislative objectives to be pursued in 1989. First, the recently enacted Mortgage Brokers, Lenders and Servicers Licensing Act requires clarification of several provisions related to net worth, financial responsibility, and exemptions. The proposed amendments also would impose a fee to cover the costs of processing changes to a license or registration certificate, require examination of registrants under the act which have regulatory loan or secondary mortgage licenses, and require that interest rate guarantees for which a fee is imposed be in writing.

The Bureau also will propose amendments to the 1977 Anti-Redlining Act to include contract appraisers under the act and to provide for more vigorous enforcement of the anti-discrimination provisions of the act. The proposed legislation would also restore the Commissioner's authority to mandate the formation of mortgage review boards in cases where the voluntary boards are not performing up to specified standards.

A third proposal would permit state-chartered banks to branch interstate on a reciprocal basis. Savings and loan associations and savings banks already have this authority. In addition, foreign banks would be able to establish branch offices in Michigan to the same extent that Michigan banks could branch into those foreign nations. This is anticipated to be helpful to Michigan banks as the U.S. - Canadian Free Trade Agreement is implemented.

The Bureau is studying the possibility of proposing legislation to amend the Savings and Loan Act to allow savings and loan associations and savings banks the option of obtaining FDIC insurance. Those which select this option clearly would have to meet the higher capital standards imposed by the FDIC.

Finally, the Bureau will lobby for enactment of a bill to allow sales finance companies under the Motor Vehicle Sales Finance Act to make direct loans to customers to buy new and used cars. These contracts would be subject to the law's present limitations on interest rates and would enable the finance companies, banks, and savings and loans to make auto loans direct to their customers. It could help to separate the process of negotiating the price of a car from the financing transaction.

# OFFICE OF REGULATION

Gary K. Mielock
Deputy Commissioner

Phyllis Groenewoud
Administrative Law Specialist

Judy Baker
Secretary

## BANK AND TRUST DIVISION

DONALD P. MANN, Director; Joseph Petterson, Assistant Director; Marian Benjamin, Janice Jennings, Carol Reist, Secretaries; Stephen Trembath, Senior Review Examiner; Larry Snively, Examiner

Examiners:

| | |
|---|---|
| Region I Detroit | Gary Thielsen (Regional Supervisor), Walter Baier, James Brown II, Duane Gaunt, Donald Hermann, Young Kim, William Pilkington, Marianne Schmidt, Chris Werwega, Joanne West |
| Region II Lansing | Ralph Morr (Regional Supervisor), Karen Ammarman, Michael Anderson, Dawn Baetsen, Robert Caruso, Rae Farris, Patrick Holleran, Charles Lentz, Curtis McMillin, Charles Moore, Peter Oquist, Donald Priestley, Charles Scott |
| Region III Grand Rapids | Irwin Van Noord (Regional Supervisor), Thomas Curtiss, Joyce Etheridge, Carol Gorton, Karl Johnson, Charlie Kohler, Donald Pickel, Sheila Vigh |
| Region IV Northern | Dale Fockler (Regional Supervisor), Tina Ballard, Thomas Battle, Kathleen Bay, Kathleen Billmeier, Michael Friedrich, James Frost, Jacqueline Ivan, Lonnie Lint, James McMullen |
| Region V Upper Peninsula | Gary Groves (Regional Supervisor), John Lyle, David Theoret, Larry Wuokko |

## CORPORATE AND REGULATORY SERVICES DIVISION

DARWYN SANBORN, Director; Linda Baldwin, Cheryl Manning, Secretaries; Sandra Slee, Corporate Analyst-Domestic Activities; Linda Hansen, Corporate Specialist-Domestic Activities; Steven Cutshaw, Corporate Analyst-Foreign Activities; Allan Huber, Corporate Specialist-Foreign Activities

# CREDIT UNION DIVISION

MICHAEL FITZGERALD, Director; Debra Smith, Esther Torres, Karen Cashen, Secretaries; Tim Standfest, Assistant Director; Nada Van De Moortel, Review Examiner; William King, Corporate Activities Coordinator

Examiners:

| | |
|---|---|
| Region I Out-State | A. Ann Gaultney (Regional Supervisor), Jerry Armstrong, Roger Little, Teresa Macioszek, Gerard Marsh, Freya McGinty, Philip Sarnicola, Leanne Thelen |
| Region II Detroit | Robert Andrews (Regional Supervisor), Delores Thomas Bledsoe, Alice Censier, Dollinda Lassiter, Wanda Marshall, Ronald Miller, Donald Walters |
| Region III Detroit | Alan Peterson (Regional Supervisor), Stanley Kossakowski, Anna Narsisian Lowe, David Rogers, Suzanne Santoro, Michele Schweitzer |

The Office of Regulation is responsible for the chartering as well as regulating and supervising of all state depository financial institutions. The Office is separated into three divisions: the Corporate Regulatory Services Division, the Bank and Trust Division and the Credit Union Division.

## CORPORATE REGULATORY SERVICES DIVISION

The Corporate Regulatory Services Division processes corporate applications submitted by banks, savings and loan associations and credit unions. These applications include applications to establish new institutions, to establish foreign bank agency offices, to merge or consolidate, to establish branches, to move offices, to convert from state to federal or federal to state charters as well as bank holding company applications for both intra- and interstate acquisitions.

During 1988, one new bank charter was approved, and two national banks converted to state banks. Two state savings and loan associations converted to federal charters. Branch applications, consolidations and trust service agreements were processed at about the same pace as the previous year.

The enactment of 1988 P.A. 200, the "statewide branching" legislation, gave a new focus to the Division's activities. The new law permits banks to establish branches anywhere in the state. Nineteen applications were processed during 1988 for branches outside the former 25 mile and "home office protection" limits of Section 171 of the Banking Code.

The new legislation also provided an opportunity for banks to provide services to their customers on the premises of another bank, via a "contractual branch". The Division assisted in drafting Bank Bulletin No. 33, setting out the requirements for a contractual branch agreement.

The statewide branching legislation for the first time permits a bank to relocate its main office to another city. The Division processed one such relocation during 1988.

Finally, 1988 P.A. 200 repealed the branching restrictions applicable to Section 172 banks. Although the existing Section 172 banks may continue to be designated as Section 172 banks, there is no longer the opportunity to designate a bank as a Section 172 bank.

Interstate bank holding company activity slowed in 1988, with nine transactions completed compared to 13 in 1987. The activity was chiefly directed toward Michigan bank holding companies making out-of-state acquisitions of banks or bank holding companies. The two in state acquisitions were Ohio's Banc One Corporation's acquisition of Universal Corporation which owns the National

Bank of Ypsilanti and Indiana's Lincoln Financial Corporation's acquisition of Harbor County Banking Corporation.

Michigan bank holding companies were limited to acquiring regional banks or holding companies until October 10, 1988, when Michigan became a participant in nationwide interstate banking. The first acquisition outside the region was Comerica Incorporated's acquisition of Grand Bancshares, Incorporated of Dallas, Texas. This acquisition could have occurred in the absence of the nationwide trigger since the Texas interstate banking law has no reciprocity requirement. Michigan bank holding companies also made regional acquisitions in Indiana and Illinois during the year.

During 1988, holding companies' Community Reinvestment Act performance became an important issue for interstate activity. Community groups became involved in the process as they objected to acquisitions based on the service provided to moderate and low income persons, chiefly those residing in the City of Detroit.

During the past year, the Bureau continued its activities in promoting Michigan as a location for foreign banks. Meetings were held with officials of the French Trade Commission, as well as a French, Greek and an Israeli bank. Bureau representatives continued to meet with the Foreign Bank Advisory Committee, a committee composed of representatives of banks, economic development agencies, state and federal regulatory agencies, accounting firms and law firms, established by Commissioner Kuthy in 1985. The Committee provides support for foreign banking, facilitates communication and acts as an information source.

# BANK AND TRUST DIVISION

## Regulatory Responsibility

The Bank and Trust Division regulates and supervises Michigan's state-chartered banks under the authority of Act No. 319 of the Public Acts of 1969 (the Michigan Banking Code of 1969, as amended). In 1988, in an effort to more efficiently use the Bureau's human resources, as the number of state-chartered savings and loan associations continued to decrease, the Bank and Trust Division also assumed responsibility for regulation and supervision of state-chartered savings and loan associations. Savings and loan associations are regulated under the authority of the Savings and Loan Act of 1980, as amended. The major responsibility of the Division is to ensure that each state-chartered bank and association is operated in a financially safe and sound manner. The Division fulfills this responsibility through the examination and supervision of Michigan's state-chartered banks and associations.

The Division also engages in several other significant activities in fulfilling its responsibilities. The Division makes recommendations to the Commissioner on applications for new bank charters, branches, and other corporate changes. Bank and Trust Division personnel act as a resource for the banking industry, through speaking engagements at trade association meetings, providing instructors for banking schools, and in meetings and telephone conversations with bankers to answer questions and address concerns. The Division also monitors services that banks provide their customers and assists customers of banks or savings and loan associations in resolving complaints or misunderstandings about services.

## Bank Examinations

The principal objective of the Bank and Trust Division is to promote management practices that minimize the risk of insolvency. The Bureau meets this objective, in part, through ongoing off site analysis of various data and periodic on site examination of state-chartered banks. For each examination, a Report of Examination is prepared and discussed with the bank's board of directors. All examinations, whether conducted concurrently with the Federal bank regulatory agencies or performed independently, generate a CAMEL rating. The CAMEL rating is an acronym reflecting the bank's condition relative to capital adequacy, asset quality, management capabilities, earnings sufficiency, and liquidity position. During 1988, the Division performed 148 examinations. The Federal Reserve Banks and the Federal Deposit Insurance Corporation examined 61 CAMEL 1- and 2-rated banks, and participated in the examination of all CAMEL 3- and 4-rated banks. During 1988, all state-chartered banks were examined by at least one of the bank regulatory agencies.

The Division participated with the Federal Reserve Bank of Chicago, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation in the joint examination of the 10 largest bank holding companies in Michigan and their bank subsidiaries.

## Bank Supervision

Michigan saw its first state bank insolvency in four years in early 1988. The First State Bank, White Cloud, Michigan, became insolvent chiefly because of unsafe and unsound lending practices and management deficiencies. The People's State Bank of St. Joseph purchased the insolvent bank's assets and assumed its liabilities. Peoples State Bank established a branch at the office of the insolvent bank.

One of the most effective tools used in formal supervisory action is the memorandum of understanding. The memorandum represents an agreement between a bank's board of directors and the Division requiring that steps be taken by the bank to correct deficiencies. During 1988, seven memoranda were terminated, and no new memoranda were entered. At the end of 1988, three memoranda were outstanding.

Problem banks in Michigan (CAMEL ratings of 3, 4 and 5) were reduced by four during 1988.

**SUMMARY OF MICHIGAN STATE-CHARTERED PROBLEM BANKS***

| | Total Banks Supervised | Problem Banks as of 1-1 | Banks Added to Problem Status | Banks Removed from Problem Status | Problem Banks as of 12-31 |
|---|---|---|---|---|---|
| 1984 | 248 | 26 | 11 | 4 | 33 |
| 1985 | 241 | 33 | 10 | 8 | 35 |
| 1986 | 238 | 35 | 7 | 16 | 26 |
| 1987 | 219 | 26 | 3 | 14 | 15 |
| 1988 | 204 | 15 | 5 | 9 | 11 |

*A problem bank is a bank with a composite CAMEL rating of 3, 4, or 5.

## Bank Structural Activities

During 1988, the number of state banks decreased by 15, to 204. Decreases occurred through 17 consolidation transactions, and one insolvency. One new state bank charter was granted in 1988, and two national banks converted to state banks. The number of branches decreased slightly, from 1,133 to 1,128.

The subsidiary banks of Chemical Financial Corporation entered into a mutual contractual branch agreement, whereby each bank's customers may obtain certain services at the offices of any other holding company bank.

## State Bank Financial Trends

As of December 31, 1988, the 204 state-chartered banks had total assets of $38.9 billion, an increase from year-end 1987. Total deposits increased $1.4 billion, or 4.3%, to $33.6 billion. Demand deposits

increased 1.0% while interest-bearing deposits rose 5.0%. Total loans grew $1.6 billion or 7.4%. Net income increased $84.2 million, or 24.4%, to $429.1 million resulting in a return on equity of 16.3%. Return on assets was 1.14% in 1988 which exceeded the 1987 level of .90%.

**Legislation**

State banks were given increased opportunity to effectively compete in the marketplace through 1988 Public Act 200. By providing for statewide branching, the Act permits banks to expand their services to customers in a wider geographic area.

Public Act 200 also permits banks to expand the types of services they provide to customers. The Act grants the Commissioner authority to issue declaratory rulings, orders or to promulgate rules authorizing banks to exercise new incidental powers or other powers which are necessary to compete with other providers of financial services. No declaratory rulings, orders or rules were issued in 1988.

**Savings and Loan Association Regulation**

Fifty savings and loan associations/ savings banks were in operation in Michigan at year-end 1987. Of the total, six were state-chartered and 44 were chartered by the Federal Home Loan Bank Board. By year-end 1988 the total had dropped to 46, as two state-chartered savings and loan associations converted to federal charters and four federal institutions were merged into existing institutions. Three of the mergers were supervisory actions. Thirty-one of the 46 Michigan institutions had regulatory net worth in excess of 5.0%, while nationwide the savings and loan industry had a net worth ratio of 4.2% as of year-end 1988.

One federal association in Michigan was acquired by new investors in 1988. This institution and the three institutions merged as a result of supervisory action had a combined negative net worth of $77,863,000 as of year-end 1987. Disposition of these institutions in 1988 clearly improved the Michigan industry's overall capital position. One insolvent institution remained in business as of year-end 1988.

During 1988, independent examinations of five associations were performed. For the fourth consecutive year, there were no state-chartered problem associations (associations having a CAMEL rating of 3, 4 or 5)

No Supervisory Letters or Memoranda were issued in 1988.

# CREDIT UNION DIVISION

## Authority

The Credit Union Division regulates state-chartered credit unions under the authority of Act 285 of the Public Acts of 1925, as amended (the Credit Union Act), in order to promote safe and sound operation. The goal is achieved through examining credit unions, by studying information provided by credit unions, and by taking supervisory actions where appropriate.

## Examination

Annual examinations are the primary means by which the Division monitors the operations and financial condition of all Michigan state-chartered credit unions. During 1988, the Division achieved its goal of examining all state credit unions.

## Supervision

In 1988, the Division made a strong effort to decrease the number of problem credit unions through stronger supervisory action. While at the end of 1987 there were 115 problem credit unions, the number decreased to 86 by the end of 1988. Problem credit unions at the end of 1988 represented 19.9% of state credit unions and 14.7% of state credit union assets.

Thirty-four state credit unions (7.9%) had operating losses during 1988, a slight change from 1987.

The most common tool the Division uses in supervising state credit unions which are violating the Credit Union Act or are engaged in unsafe or unsound practices is the memorandum of understanding. The memorandum is used in situations where the problems are correctable, the credit union's board of directors has the capacity to correct the problems, and the credit union's financial condition is not in serious jeopardy. Five memoranda of understanding were implemented in 1988, compared to 11 in 1987. Twenty-nine memoranda were outstanding at year-end 1988.

The second supervisory step is the issuance, after notice and opportunity for hearing, of a cease and desist order or removal of one or more officials. No cease and desist orders or removal actions were issued in 1988.

In 1987, the Commissioner had requested the National Credit Union Administration (NCUA) to place Saint Matthews Credit Union of Grand Rapids into conservatorship. During early 1988, it became clear that the Credit Union did not have the earnings potential to eliminate its capital deficit. Accordingly, in June the Commissioner issued an order placing the Credit Union into receivership and appointed the NCUA as receiver. Credit Union One purchased the assets and assumed the shares and deposits.

The table on the following page presents information concerning problem credit unions over the last five years.

SUMMARY OF MICHIGAN STATE-CHARTERED PROBLEM CREDIT UNIONS

| | Total Credit Unions Supervised | Problem Credit Unions Removed | Problem Credit Unions Identified | Year-end Problem Credit Unions* |
|---|---|---|---|---|
| 1984 | 500 | 66 | 53 | 86 |
| 1985 | 480 | 59 | 44 | 71 |
| 1986 | 465 | 52 | 62 | 81 |
| 1987 | 446 | 35 | 69 | 115 |
| 1988 | 433 | 77 | 48 | 86 |

*A problem credit union has a 3, 4 or 5 CAMEL rating.

**Structural Activities**

The number of credit unions decreased from 446 to 433 during the last year, chiefly as a result of mergers, usually made to improve services to members. Seventeen credit unions (including five federally chartered) merged into other credit unions during 1988. This compares with 25 credit union mergers completed in 1987 and 26 in 1986. A total of 65 credit unions amended their fields of membership during 1988.

**Industry Trends**

Assets of state-chartered credit unions continued to increase through 1988. Total assets (excluding Central Credit Union) increased $260 million, or 4.39%, during 1988 to $6.28 billion. Member loans grew from $3.35 billion in 1987 to $3.78 billion in 1988, or 13.0%. The comparable rate of growth for 1987 was 13.3%. Total savings increased 3.4% over 1987 to $5.60 billion.

Net Income, after cost of funds and provision for loan losses increased from $50.5 million in 1987 to $63 million in 1988. Loan delinquency (defined as loans delinquent two or more months) decreased from 2.13% at year-end 1987 to 1.96% at year-end 1988.

These statistics indicate that Michigan's state-chartered credit unions, overall, again had a good year in 1988. Membership confidence continues strong as evidenced by the increase in deposits and loans. Average credit union equity continues to increase and delinquency has decreased.

**Credit Union Bulletins**

Two bulletins were issued in 1988. The first was an interpretation of the rule governing credit union service organizations. The second concerned capital adequacy; it informs credit unions of the Bureau's policies concerning, and procedures used to determine, the adequacy of a credit union's capital.

# OFFICE OF POLICY AND CONSUMER AFFAIRS

**Murray E. Brown**
**Deputy Commissioner**

The Office of Policy and Consumer Affairs is composed of two divisions, the Consumer Finance Division, and the Research and Urban Investment Division.

The Consumer Finance Division regulates the activities of licensees under the Business and Industrial Development Corporation Act, Regulatory Loan Act of 1963, Motor Vehicle Sales Finance Act, Secondary Mortgage Act, Credit Card Act, Mortgage Brokers, Lenders and Servicers Licensing Act, Sale of Checks Act, and Consumer Financial Services Licensing Act.

**Virginia Berry**
**Secretary**

The Research and Urban Investment Division administers and enforces the provisions of Michigan's Mortgage Anti-Redlining Law (Public Act No. 135 of 1977). It is responsible for research, analysis and development of legislation which affects financial institutions or the users of financial services, promulgation of administrative rules, and publication of the Bureau's annual report. The division also administers the consumer education activities of the Bureau and publishes a newsletter for the financial industry.

# RESEARCH AND URBAN INVESTMENT DIVISION

**Peggy Bryson**
**Director**

**Marian Kummerl**
**Program Specialist**

**Russell LaCoursier**
**Economic Specialist**

**Rebecca King**
**Secretary**

**Peter Kuhnmuench**
**Policy Analyst**

**Marcia Miller**
**Policy Analyst**

The Research and Urban Investment Division is responsible for the administration and enforcement of Michigan's Mortgage Anti-Redlining Law (Public Act No. 135 of 1977). This act prohibits geographic discrimination in mortgage and home improvement lending and requires lenders to disclose annually, by census tract or ZIP code, mortgage and home improvement loans made, the average contract terms for these loans, the total number of loan applications denied, the reasons for denial, and the number of mortgage foreclosures which occurred during the previous year.

The Research and Urban Investment Division also is responsible for the analysis and development of legislation which affects financial

institutions and users of financial services. The division's legislative functions include the drafting of legislation, analyzing proposed legislation and testifying at legislative and public hearings. The division administers the Bureau's rules promulgation function, publishes the Bureau's annual report, publishes a quarterly newsletter for the financial industry, produces a bi-monthly television program, coordinates the Bureau's consumer education activities, and is responsible for handling consumer complaints and inquiries involving such topics as usury, due-on-sale clauses, mortgage escrow accounts and electronic funds transfer services.

The division played a major role in the negotiations on and the drafting of the Consumer Financial Services Licensing Act, the statewide bank branching bill, and amendments to the Secondary Mortgage Act, the Motor Vehicle Sales Finance Act, the Sale of Checks Act, and the Mortgage Brokers, Lenders and Servicers Licensing Act. (See Significant Developments) Another project undertaken by the Research and Urban Investment Division during 1988 was a survey of banks' returned item charges. Staff of the Michigan Bankers Association, Michigan Retailers Association and the Department of Commerce assisted in collecting the data.

During 1988, the division published several issues of its newsletter for financial institutions. The newsletter conveys information about new laws and rules, Attorney General opinions, significant court rulings, staff changes, and research projects, among other subjects.

The division's consumer education function is carried out in several ways. It provides speakers to address consumer groups and brochure exhibits for education seminars, monitors the Bureau's handling of consumer complaints and inquiries involving financial institutions, and publishes brochures and fact sheets on financial topics.

Although the division published no new brochures in 1988, it reprinted "What You Should Know About Mortgage Escrow Accounts" and "Mortgage Redlining -- Your Rights and Responsibilities". Other brochures previously published by the division include: "Taking Interest in Your Savings," "How to Shop for Credit," "Bank Credit Cards and Average Daily Balance," and "Mortgage Review Boards --How They Can Help You."

The division also continued production of "Common Cents", a television program designed to answer consumers' questions about financial institutions and financial services. The program is taped at WELM-TV 11 in East Lansing and airs on the public access channel in East Lansing. Continental Cable in Lansing also broadcasts the program on channel 37. Copies of programs in VHS format are available to schools, libraries and other organizations and will be made available for broadcast by cable television stations elsewhere in Michigan. Tapes currently available discuss home equity loans, credit cards, mortgage loans, escrow accounts, credit problems, and checking accounts.

The four regulatory divisions and the Research and Urban Investment Division are responsible for responding to consumer questions and complaints about financial institutions and unregulated creditors. Table I presents the industry breakdown of the complaints and inquiries handled in

1987 and 1988. In 1988, the Bureau responded to 2,133 consumer complaints and inquiries, up 75% from 1987. Table II lists the most frequent categories of complaints and inquiries received in 1988. Money orders replaced mortgages as the most frequently raised topic of inquiry, largely due to the failure of a money order issuer and subsequent efforts to obtain refunds for those holding dishonored money orders.

TABLE I

**Number of Complaints and Inquiries Received By Industry Group**

| Industry Group | Complaints 1987 | Complaints 1988 | Inquiries 1987 | Inquiries 1988 | Total 1987 | Total 1988 |
|---|---|---|---|---|---|---|
| Banks | 90 | 146 | 64 | 50 | 154 | 196 |
| Credit Unions | 154 | 151 | 39 | 21 | 193 | 172 |
| Savings & Loans | 42 | 40 | 42 | 25 | 84 | 65 |
| Motor Vehicle Licensees | 1 | 19 | 102 | 30 | 103 | 49 |
| Regulatory Loan Licensees | 2 | 0 | 4 | 1 | 6 | 1 |
| Secondary Mortgage Licensees | 0 | 2 | 2 | 5 | 2 | 7 |
| Sale of Check Licensees | 0 | 990 | 113 | 0 | 113 | 990 |
| First Mortgage Licensees | N/A | 226 | N/A | 219 | N/A | 445 |
| Retailers and Others | 61 | 12 | 659 | 196 | 720 | 208 |
| TOTALS | 350 | 1586 | 1025 | 547 | 1375 | 2133 |

TABLE II

**Most Frequent Types of Complaints and Inquiries Received During 1988**

| Category | Complaints | Inquiries | Total |
|---|---|---|---|
| Usury | 12 | 118 | 130 |
| Checking/Draft Accounts | 59 | 3 | 62 |
| Mortgages (General) | 205 | 210 | 415 |
| Money Orders | 990 | 0 | 990 |
| Installment Loans | 39 | 13 | 52 |
| Savings/Share/Time Accounts | 33 | 8 | 41 |
| Escrow Accounts | 59 | 17 | 76 |

## Mortgage and Home Improvement Lending

The most recent data reported to the Bureau under the Mortgage Anti-Redlining Act indicate that mortgage lending activity levelled off between 1986 and 1987. Nationwide, in 1987, mortgage loans originated on one-to-four family homes rose 1.5% to $449.1 billion, and loans on multi-family properties declined 7.1% to $44.9 billion.

In Michigan, mortgage loans on one-to-four family homes were up 1.9% over 1986 levels to $6,673 million, and multi-family loans rose 28.9% to $223 million. Improving employment and declining interest rates on loans made home mortgages affordable to a larger proportion of the population in 1986 and early 1987. Interest rates began to rise again, however, in the last quarter of 1987 and new housing construction slowed somewhat toward the close of the '87 construction season. It is anticipated that data on first mortgage lending in Michigan during 1988 will not show the dramatic increases of previous years but will remain near 1987 volumes. Home equity lending, on the other hand, continued robust during 1988.

**Public Act 135 - Other Activities**

In 1988, there was greater public awareness of unmet credit needs of residents, businesses and developers in the state's major cities. Journalists studied data collected under Public Act 135 to track credit flows and loan denial patterns in Detroit and other large cities. Their findings initiated discussions that have led to increased lending and other financial service commitments from Detroit-area financial institutions.

During 1988, Bureau staff met with community and neighborhood leaders in Detroit, Flint, Muskegon and Jackson to hear concerns about the unavailability of credit (for homes, small businesses and development) in the state's larger cities. It also provided data and testimony to the Legislature's Ad Hoc Committee on Bank Lending Practices, and encouraged the Muskegon Community Housing Resource Board's efforts to form a voluntary mortgage review board.

In August, 1988 the Bureau fined a lender which was found to have discriminated against loan applicants based upon the age of the property to be mortgaged. The Anti-Redlining Act prohibits denial of a loan application based upon the age of a home. The company also had not provided the applicants with a lending criteria document as required by the Act.

**Plans for the Future**

Home equity lending has assumed new prominence in light of 1986 revisions in the federal tax code which are phasing out tax deductions for virtually all consumer debt except home mortgages. The number and variety of home equity loans available has created confusion for many potential borrowers. The division has developed and will print in 1989 a brochure that will help consumers identify the pros and cons of such loans and choose among the loan programs offered.

**Electronic Fund Transfer (EFT) Activities in Michigan**

The Bureau obtained information on EFT systems through questionnaires mailed to all state-chartered depository institutions and multibank holding companies (MBHC). To avoid a double count, no questionnaires were sent to banks which were subsidiaries of MBHCs.

Of the 102 independent state-chartered banks, 87 (85.3% of the total) responded to the survey. In the survey, one-bank holding company banks were treated as independent banks. Sixteen of the 20 MBHCs accounting for 144 banks (102 state-chartered and 42 nationally chartered), responded to the questionnaire. Of the four state-chartered savings and loan associations, two responded to the survey. Of the 433 state-chartered credit unions, 389 (89.8% of the total) filed responses. The Bureau also

conducted a telephone survey of all of the 42 federal savings and loan associations. Both of the major nonfinancial institution providers, MAGIC LINE and QUANTUM (owned by Travelers Express Company, Inc.) and the largest financial institution network provider, NETWORK ONE (owned by National Bank of Detroit) supplied information on their shared networks.

Table I shows that as of December 31, 1988, responding financial institutions (and major shared EFT networks) had 3,229 automated teller machines (ATMs) as compared with 2,705 reported as of December 31, 1987. Of the total ATMs, 3,217, or 99.6% were shared. In the survey, the total number of ATMs includes any staffed terminals.

**Table I--Automated Teller Machines (ATMs)**
**Reported by Responding Organizations and Financial Institutions**

| | 12-31-86 | 12-31-87 | 12-31-88 |
|---|---|---|---|
| No. of ATMs | 2,407 | 2,705 | 3,229* |
| On-premise | 1,708 | 1,919 | 2,279 |
| Off-premise | 699 | 786 | 950 |
| Shared | 2,311 | 2,687 | 3,217 |
| Unshared | 96 | 18 | 12 |
| Staffed Terminals | 782 | 324 | NA |
| ATMs & Staffed Terminals | 3,189 | 3,029 | 3,229 |

*Figure is an estimate (an exact figure could not be obtained because the extent of overlap of the major shared networks was unknown) and includes staffed terminals.

Table II shows that responding MBHCs reported that their subsidiary banks owned or leased 1,539 ATMs (1,336 on-premise and 203 off-premise), representing a 23.1% increase from the number reported one year earlier. Accounting for most of the increase was that all of the major MBHCs provided information on their EFT activities. In addition, MBHCs were asked to include any staffed terminals in their ATM totals. In previous years, staffed terminals were not counted as ATMs. All of the ATMs reported were shared. Eight ATMs, or .52% of the total were shared by only subsidiary banks of the same holding company and 1,531 ATMs, or 99.48% of the total were shared by both subsidiary banks and unaffiliated institutions. responding MBHCs stated that they had 1,138 ATMs that were part of MAGIC LINE, 625 ATMs that were part of NETWORK ONE, and 56 ATMs that were part of QUANTUM. MBHCs reported that 1,119 of their ATMs were linked to an interstate EFT system, as compared with 865 reported one year earlier.

**Table II--ATMs Reported by Responding MBHCs**
**as of 12-31-88**

| | On-Premise | | Off-Premise | |
|---|---|---|---|---|
| | 1987 | 1988 | 1987 | 1988 |
| Total ATMs | 936 | 1,336 | 314 | 203 |
| Shared (subsidiaries only) | 3 | 7 | 0 | 1 |
| Shared (any institution) | 933 | 1,329 | 314 | 202 |
| Unshared | 0 | 0 | 0 | 0 |

Table III shows that MAGIC LINE reported that its membership at year-end 1988 stood at 346 (143 banks, 17 savings and loans, and 187 credit unions), the same number as one year earlier. MAGIC LINE also reported having 2,668 ATMs (1,794 on-premise and 874 off-premise). There were 489 ATMs in the Magic Line system that were linked to an interstate system.

**Table III--ATMs and Financial Institutions That Were Part of MAGIC LINE at Year End***

| | 1986 | 1987 | 1988 |
|---|---|---|---|
| No. of ATMs | 1,910 | 2,207 | 2,362 |
| On-premise | 1,243 | 1,440 | 1,488 |
| Off-premise | 662 | 767 | 874 |
| No. of Staffed Terminals | 704 | 324 | 306 |
| No. of Financial Institutions | 312 | 346 | 346 |
| Banks | 159 | 168 | 143 |
| S&Ls | 13 | 11 | 17 |
| Credit Unions | 140 | 167 | 187 |

*Information furnished by MAGIC LINE.

As shown in Table IV, at year-end 1988, NETWORK ONE had 414 member financial institutions (221 banks, 5 savings and loans, and 188 credit unions) compared to 294 members as of 12-31-87. NETWORK ONE reported it had 1,560 ATMs in Michigan of which 1,219 were on-premise and 341 were off-premise. Counting ATMs located outside Michigan, NETWORK ONE had 2,165 ATMs (1,654 on-premise and 511 off-premise). All of NETWORK ONE's ATMs were linked to an interstate network.

**Table IV--ATMs and Financial Institutions That Were Part of NETWORK ONE at Year End***

| | 1987 | 1988 |
|---|---|---|
| No. of ATMs | 1,531 | 1,560 |
| On-premise | 1,194 | 1,219 |
| Off-premise | 337 | 341 |
| No. of Financial Institutions | 294 | 414 |
| Banks | N/A | 221 |
| S&Ls | N/A | 5 |
| Credit Unions | N/A | 188 |

*Information furnished by NETWORK ONE.

Table V shows that membership in QUANTUM in 1988 increased by one to 104 (24 banks, 4 savings and loans, and 76 credit unions). QUANTUM reported that the number of its ATMs increased to 394 (of which 249 were on-premise and 145 were off-premise) from the 350 reported one year earlier.

**Table V--ATMs and Financial Institutions That Were Part of QUANTUM at Year End***

| | 1986 | 1987 | 1988 |
|---|---|---|---|
| No. of ATMs | 259 | 350 | 394 |
| On-premise | 140 | 240 | 249 |
| Off-premise | 119 | 110 | 145 |
| No. of Financial Institutions | 79 | 103 | 104 |
| Banks | 11 | 24 | 24 |
| S&Ls | 4 | 4 | 4 |
| Credit Unions | 64 | 75 | 76 |

*Information furnished by QUANTUM.

Independent state-chartered banks at year-end 1988 reported that they had 109 ATMs (92 on-premise and 17 off-premise) as compared with 105 reported one year earlier. Banks reported that 97 ATMs were shared and 12 ATMs were unshared. Responding savings and loan associations (state and federal) reported that they owned or leased 400 ATMs (229 on-premise and 171 off-premise) at year end as compared with 266 (97 on-premise and 169 off-premise) one year earlier. Savings and loans reported that 390 of their ATMs were shared and 10 were unshared. State-chartered credit unions reported having 144 ATMs (73 on-premise and 71 off-premise) as compared with 148 ATMs one year earlier. Credit Unions indicated that 134 ATMs were shared and 10 ATMs were unshared.

# CONSUMER FINANCE DIVISION

Ann Gaultney
Director

Secretaries

Debra Tunks

Arleen Platte

Ethel Caudill

Linda Martin

Examiners

Lee A. Bailey

Pamela K. Baker

Michael Gomez

Roger A. Lonsway

Karen E. Porter

Elliott D. Purty

Barbara J. Strefling

Todd C. Troutman

Mathew R. Van Vleck

Mark W. Weigold

## Regulatory Loan Act

The Regulatory Loan Act, Act No 21, P.A. 1939, as amended, authorizes loans to consumers up to a maximum amount of $3,000. Real estate may not be taken as security for loans made under this Act.

At year end 1988, there were 61 regulatory loan licensees as compared with 64 one year earlier. Two licenses were issued during 1988 and five were cancelled.

Net loans receivable at December 31, 1988 stood at $86,888,000, down from the $101,987,000 at year end 1987.

The industry's gross operating income in 1988 was $17,815,000, compared with $19,070,000 in 1987. Chargeoffs fell by $153,000 to $2,085,000 in 1988 and $953,000 was added to bad debt reserves.

Examiners conducted 56 examinations during which they detected 198 violations of laws and 61 violations of rules.

## Secondary Mortgage Act

The Secondary Mortgage Act, Act No. 125, P.A. 1981, as amended, authorizes a loan of $3,000 or more used for personal, family or household purposes and secured by a junior lien on real property used as a dwelling by one to four families. There were 95 licensees under the Secondary Mortgage Act as of December 31, 1988 as compared with 80 licensees one year earlier. During the year, 23 new licenses were issued and eight were cancelled. Licensees had 10,148 loans outstanding amounting to $249,236,000 at year end 1988. The comparable figures one year earlier were 17,582 loans outstanding amounting to $248,743,784. Interest rates charged on secondary mortgage loans ranged from 8.50% to 18%. There were 57 foreclosures in 1988, as compared to 48 in 1987. Examiners conducted 80 examinations during the year.

## Motor Vehicle Sales Finance Act

The Motor Vehicle Sales Finance Act, Act No. 27, P.A. 1950, as amended,

authorizes installment sale financing of motor vehicles. The act provides for the licensing of the motor vehicle dealers which enter into installment sale contracts and of the sales finance companies which serve as the source of financing on most of such contracts.

At year end 1988, 1,963 dealers and 1,766 sales finance companies (including state and national banks, state and federal savings and loan associations, and state and federal credit unions) were licensed. The comparable figures one year earlier were 1,867 dealers and 1,801 sales finance companies. Sales finance companies at year end reported having 1.9 million accounts outstanding, amounting to $8.7 billion. There were 475 examinations of dealers and 51 investigations conducted by examiners during the year.

**Credit Card Act**

The Credit Card Act, Act No. 379, P.A. 1984, as amended, authorizes the Bureau to license and regulate non-depository issuers of credit cards.

There were three licenses issued during the year bringing the total to six. There were no examinations conducted during the year.

All licensees were asked to fill out a Credit Card Licensee Activity Report. Based on the results of these reports, on-site examinations will be scheduled.

Minimum net worth requirement for licensing is $1 million. The examination checks for compliance with the Credit Card Act and certain state and federal statutes; Regulation Z (Truth-in-Lending), Regulation B (Equal Credit Opportunity Act), and the Michigan Consumer Protection Act.

Preliminary results of the licensee activity reports reveal that three licensees will be exempt from on-site examination. One licensee has no loan activity at present, one has exchanged its license for a license under the Consumer Financial Services Act, and the third has no consumer loans, only commercial paper.

**Sale of Checks Act**

The Sale of Checks Act, Act No. 136, P.A. 1960, as amended, authorizes the licensing and regulation of sellers of travelers checks, money orders and other transmitters of money. At year end 1988, there were 14 licensees with 7,767 agents. During 1988, 80,230,582 checks amounting to over $4.2 billion were sold.

The Grand Money Order Company Receivership initiated by Commissioner Kuthy, who was appointed the liquidating Receiver by Wayne County Circuit Court, concluded this year. There was a 100% payout of money order claims of approximately $1 million to consumers and businesses in the Detroit area.

The Quarterly Report Program, a self-examination procedure established in 1986, has provided the Bureau with timely information on each licensee's profitability. In addition to this program, the Bureau conducted concurrent on-site examinations of out-of-state licensees with our regulatory counterparts in Pennsylvania, Connecticut and Texas.

The Bureau's program will be expanded in 1989 and its examiners will continue to conduct concurrent on-site examinations of interstate sale of checks licensees.

**Business and Industrial Development Corporation Act**

The BIDCO Act, Act No. 89, P.A. 1986, authorizes the licensing, examination, and supervision of Michigan

Business and Industrial Development Corporations.

Currently, there are two BIDCO's operating in the state and both were examined during the year.

## Mortgage Brokers, Lenders and Servicers Licensing Act

The First Mortgage Act, Act No. 173, P.A. 1987, provides for the licensing or registration of those who are brokers, lenders, or servicers of first mortgages. As of December 31, 1988, 55 licenses have been issued and 12 registrations have been approved.

The First Mortgage Act was amended by Act No. 451 of the Public Acts of 1988 to reduce the requirements for entities whose activities (brokering, lending or servicing) are sufficiently limited. For more information on the amendments, see the summary of P.A. 451 in Legislative Developments.

## Consumer Financial Services Act

Public Act No. 161 established a new type of licensed financial service institution which can offer a variety of services. Previously, service providers needed a separate license to engage in each activity. For a more detailed discussion of the new law, see the summary of P.A. 161 in Legislative Developments.

# OFFICE OF ADMINISTRATION

Philip F. Rooney
Director

Sonya W. Dungey
Administrative Analyst

Kathleen A. Simon
Financial Analyst

Diana Burns
Executive Secretary

Jodi Palmer
Secretary

Michelle Piggott
Secretary

It is the function of the Office of Administration to direct, implement and monitor all of the Bureau's financial and personnel activities. Major administrative support units responsible to the director are the Automated Systems Division, the Reporting and Publications Division and the Computer Support Group.

# REPORTING AND PUBLICATIONS DIVISION

Edward Wichman
Director

Judie Wright
Analyst

Joseph Barberio
Facilities Manager

Patricia Thelen
Microfilm Supervisor

Stanley Pollitt
Mail Room Clerk

Barbara Losin
Revenue Clerk

Paulette Smith
Secretary

The Reporting and Publications Division is responsible for: bureau forms control; administering and maintaining micrographics and records retention/disposal programs, monitoring travel, telecommunications, and mail/cash handling; overseeing the bureau security system, and supplies and equipment. The division also provides assistance to the Director of the Office of Administration on special projects.

## Forms Control

During 1988, the Bureau continued its efforts to maintain only those public forms which most efficiently and effectively meet guidelines established by the Paperwork Reduction Act (P.A. 133 of 1982). The division assists bureau personnel in ensuring that new and revised forms have simplified instructions and a streamlined format, are clear and understandable and use words appropriate to the respondent, comply with

federal privacy laws and state confidentiality requirements, meet design standards established by the State Forms Administrator, and do not request information available from other sources.

### Micrographics Program

The Micrographics Unit was established by the division as a result of the growing volume of records which must be maintained by the Bureau to carry out its regulatory responsibilities. The conversion of bureau records to microfilm has resulted in a more manageable and efficient storage and retrieval system. In addition, the microfilmed records have provided a more secure means of retaining confidential material. Duplicate copies of all microfilmed records produced by the unit are stored off site, for optimum security, where they serve as a back-up to the Bureau's working file.

### Travel Program

The division coordinates/monitors bureau travel expenditures, state vehicle assignments, American Express corporate card system, travel advances, and citizen's complaints, disseminates information to employees and assists them with travel inquiries and problems. It encourages employees to share rides, obtain the lowest available airfare and reduce travel expense in other ways.

Various statistical reports are produced by the division for the Legislature and for bureau management. Computer programs are being developed to eliminate manual record keeping tasks and to prepare reports more expeditiously.

### Telecommunications

Michigan Department of Management and Budget has now taken responsibility for state government's telecomunications system from the Michigan Bell Telephone Company and AT&T. The Reporting and Publications Division has been kept busy training bureau personnel on use of the new system, making changes and refining the system so that it gives the best possible service to all personnel.

# AUTOMATED SYSTEMS DIVISION

Paul Tautkus
Director

David Cottrill
ADP Examiner

Terry Hassell
ADP Examiner

Patricia Marson
ADP Examiner

Cecilia Dungey
Secretary

The responsibility of the Automated Systems Division is to evaluate the security and controls within data processing operations serving all financial institutions, whether these operations are internal to the institution or holding company or are provided by an independent corporation.

## COMPUTER CENTER EVALUATIONS

The purpose of an evaluation is to apprise a financial institution's management of areas in the data processing operation where exposure exists which could lead to incorrect, interrupted or discontinued processing. This evaluation does not ascertain the validity of system design, programming or information on file. The Federal Financial Institutions Examination Council's EDP Examination Handbook is used as a guide for the evaluation. Areas reviewed during the evaluation include:

- Planning and organization
- Audit (internal and external)
- Programming procedures and controls
- Computer operations, including input and output controls
- Teller activity and controls
- Wire transfer, automated teller and credit cards
- Microcomputer usage

The Division will continue to devote its resources to the evaluation program in 1988, with additional emphasis on follow-up visitations to ensure corrective action is being taken.

Scheduling of evaluations will continue to be coordinated with the Federal Deposit Insurance Corporation, Federal Reserve System, National Credit Union Administration and the Bureau's other divisions. The Automated Systems Division alternates its evaluations of data centers, or performs evaluations jointly, with the federal regulatory agencies. This eliminates duplicate evaluations by the Bureau and federal agencies.

# COMPUTER SUPPORT GROUP

Daniel C. Tsai
Coordinator

Leigh Scherzer
Examiner

Kathleen Bay
Examiner

Paul Wei
Data Systems Specialist

The Computer Support Group is responsible for developing and implementing the Bureau's microcomputer program, and for coordinating with the departmental data center to develop, implement and maintain the Bureau's data processing systems.

The group, which was established in 1985, has the following responsibilities:

Development and maintenance of microcomputer-based systems and applications; providing software and hardware support to Bureau users for microcomputers and the business presentation system; development and implementation of microcomputer training for office personnel and field examiners; research and development of microcomputer applications for on site examinations, off site monitoring, pre-examination analysis and financial modeling and projections; and purchase of microcomputer software, hardware and supplies for the Bureau's users.

By year end 1988, the Bureau had 26 desktop microcomputers for the central office and 26 portable micros for the field examiners. The Bureau plans to purchase, in 1989, an additional 34 micros.

In 1988, the group completed the following major computer systems or projects:

Consumer Finance Division first mortgage company licensing system to expedite the license renewal process; Credit Union Division information system to facilitate the billing of examination and supervisory fees and automated call report system conversion project due to the change of the department's main frame computer; and a system to facilitate the reporting and control of the bureau's expenditures other than payroll and travel expenses.

# OFFICE PERSONNEL

## OFFICE OF THE COMMISSIONER

| | |
|---|---|
| **EUGENE W. KUTHY** | COMMISSIONER |
| Stanley Fedewa | Executive Director of the Office of the Commissioner |
| Olga Lozano | Assistant to the Commissioner |
| Kathie Bennett | Executive Secretary |

## OFFICE OF THE CHIEF DEPUTY COMMISSIONER

| | |
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| **RUSSELL S. KROPSCHOT** | Chief Deputy Commissioner |
| Diana Burns | Executive Secretary |
| Michelle Piggott | Secretary |
| Jodi Palmer | Secretary |

## OFFICE OF REGULATION

| | |
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| **GARY K. MIELOCK** | Deputy Commissioner |
| Phyllis Groenewoud | Administrative Law Specialist |
| Judy Baker | Secretary |

### Bank and Trust Division

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| Donald Mann | Director |
| Joseph Petterson | Assistant Director |
| Stephen Trembath | Senior Review Examiner |
| Larry Snively | Examiner |
| Marian Benjamin | Secretary |
| Carol Reist | Secretary |
| Janice Jennings | Secretary |

### Credit Union Division

| | |
|---|---|
| Michael Fitzgerald | Director |
| Tim Standfest | Assistant Director |
| William King | Corporate Coordinator |
| Nada Van De Moortel | Review Examiner |
| Debra Smith | Secretary |
| Esther Torres | Secretary |
| Karen Cashen | Secretary |

### Corporate Regulatory Services Division

| | |
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| Darwyn Sanborn | Director |
| Steven Cutshaw | Corporate Analyst |
| Allan Huber | Corporate Specialist |
| Sandra Slee | Corporate Analyst |
| Linda Hansen | Corporate Specialist |
| Linda Baldwin | Secretary |
| Cheryl Manning | Secretary |

## OFFICE OF POLICY AND CONSUMER AFFAIRS

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| **MURRAY E. BROWN** | Deputy Commissioner |
| Virginia Berry | Secretary |

Research and Urban Investment Division

| | |
|---|---|
| Peggy Bryson | Director |
| Russell LaCoursier | Economic Specialist |
| Peter Kuhnmuench | Policy Analyst |
| Marcia Miller | Policy Analyst |
| Marian Kummerl | Program Specialist |
| Becky King | Secretary |

Consumer Finance Division

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|---|---|
| A. Ann Gaultney | Director |
| Barbara Strefling | Analyst |
| Debra Tunks | Secretary |
| Ethel Caudill | Secretary |
| Linda Martin | Secretary |
| Arleen Platte | Secretary |

**OFFICE OF ADMINISTRATION**

| | |
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| Philip F. Rooney | Director |
| Kathleen Simon | Financial Analyst |
| Sonya Dungey | Administrative Analyst |
| Diana Burns | Executive Secretary |

Reporting and Publications Division

| | |
|---|---|
| Edward Wichman | Director |
| Judie Wright | Analyst |
| Joseph Barberio | Facilities Manager |
| Patricia Thelen | Microfilm Supervisor |
| Stanley Pollitt | Mail Room Clerk |
| Barbara Losin | Revenue Clerk |
| Paulette Smith | Secretary |

Automated Systems Division

| | |
|---|---|
| Paul Tautkus | Director |
| Cecilia Dungey | Secretary |

Computer Support Group

| | |
|---|---|
| Daniel Tsai | Coordinator |
| Paul Wei | Data Systems Specialist |
| Kathleen Bay | Examiner |
| Leigh Scherzer | Examiner |

# APPENDIX

## ADDENDUM TO CREDIT UNION BULLETIN 85-1

February 1, 1988

TO THE BOARD OF DIRECTORS OF THE CREDIT UNION ADDRESSED

**SUBJECT: Examination Policies and Procedures**

Credit Union Bulletin 85-1, dated July 12, 1985, explained Bureau examination policies. A copy of this bulletin is attached. In accordance with Bulletin 85-1, the Bureau will begin two new examination procedures. These procedures are intended to increase the efficiency of our examination program and reduce the burden on credit unions by limiting the amount of examiner time spent at a credit union.

First, prior to each examination your credit union will be mailed a "Pre-Examination Survey". This Survey asks questions about specific areas of your credit union and will aid in determining the scope of the examination. Included with the Survey will be a listing of information which, together with the completed Survey, must be made available to the examiner upon entry to the credit union.

Second, we are asking each credit union having an annual comprehensive audit performed by a CPA or other professional auditor to immediately provide this Bureau a copy of the audit engagement letter, the audit report, and the auditor's letter to management. Thereafter, each subsequent audit, engagement letter, and the auditor's letter to management are to be forwarded to this office immediately upon receipt from your credit union's auditor.

Your cooperation in providing copies of audits and completing the "Pre-Examination Survey" will allow bureau examiners to better coordinate their examination with your credit union's outside auditor which will eliminate duplication in many areas and better utilize examiner time.

Please contact the Credit Union Division at (517) 373-6930 if you have any questions regarding this letter.

This letter is to be read at the next meeting of the Board of Directors and made a part of the minutes thereof.

Eugene W. Kuthy, Commissioner
Financial Institutions Bureau

Michael N. Fitzgerald, Director
Credit Union Division

Enclosure

# CREDIT UNION BULLETIN 88-1

April 22, 1988

TO THE BOARD OF DIRECTORS OF THE CREDIT UNION ADDRESSED:

**SUBJECT: CREDIT UNION SERVICE ORGANIZATIONS:
PROVIDING SERVICES TO OTHER-THAN CREDIT UNION CUSTOMERS**

A credit union has asked for an interpretation of the term "engaged primarily" in Rule 490.12, as amended, in July, 1987. Subsection (1) of that Rule defines a credit union service organization (CUSO) as:

> "A corporation or other organization engaged primarily in providing the products or services set forth in subrules (4) and (5) of this rule to credit unions or their members, and which a credit union may organize, invest in, or lend to pursuant to section 4(2)(gg) of the act, is a credit union service organization." (emphasis added)

The phrase "engaged primarily in providing [certain] products or services . . . to credit unions or their members" necessarily implies that all customers of a CUSO need not be credit unions or their members (credit union customers).

When a credit union intends to organize, invest in or loan to a CUSO which will provide services to other-than credit union customers, the Bureau will make a case-by-case determination whether such organization, investment or loan is proper. In making the determination, several factors will be considered, including the following: (1) gross income received from credit union customers and other-than credit union customers; (2) expenses related to credit union customers and other-than credit union customers; (3) number of credit union customers and other-than credit union customers; (4) time, space and employees allocated to credit union customers and other-than credit union customers; (5) other factors relevant to the particular circumstances. No single factor will be controlling, nor will the factors necessarily be weighted the same in each case.

A credit union desiring to organize, invest in or loan to a CUSO which will provide services to other-than credit union customers should have a board resolution specifically authorizing the organization, investment or loan. The credit union should also obtain a legal opinion specifically analyzing the particular facts in light of the Credit Union Act, Rule 490.12 and this Bulletin.

Credit unions may desire to consult with the Bureau before organizing, investing in, or loaning to, a CUSO which intends to provide services to other-than credit union customers. If so, a credit union may request a "no objection" letter from the Bureau. The request should do the following: carefully describe the proposal, specifically state the facts involved, provide a suggested analysis of appropriate factors to be considered in making a determination, apply those factors to the facts, and reach a conclusion on permissibility of the request. Please include a copy of any legal opinion obtained, as well as any other relevant materials. If the Bureau agrees with the analysis and conclusion, a letter will be issued stating that the Bureau will offer no objection to the proposal.

Please feel free to contact the Credit Union Division with any questions you may have on this Bulletin.

Eugene W. Kuthy, Commissioner
Financial Institutions Bureau

Michael N. Fitzgerald, Director
Credit Union Division

## CREDIT UNION BULLETIN 88-2

May 27, 1988

TO THE BOARD OF DIRECTORS OF THE CREDIT UNION ADDRESSED:

**Subject: Capital Adequacy Policy and Procedures**

This bulletin is informational and is issued to apprise the Board of Directors of policies and procedures being used by the Financial Institutions Bureau to determine the adequacy of a credit union's capital.

Capital (equity) consists of Undivided Earnings, Gain or Loss to Date, Regular Reserves (not including the Allowance for Loan Losses and Allowance for Investment Losses), and any other Reserve accounts. This is divided by total assets to determine the credit union's equity ratio. During the course of an examination or follow up, the Bureau will determine the adequacy of a credit union's capital based on the following factors.

MANAGEMENT: The ability, attentiveness, integrity, and record of management, together with the soundness of its policies are of major importance. A planning process, prudent policies, effective operating procedures and controls and an effective audit program are some of the key elements in the overall evaluation of management capabilities. For purposes of this assessment, management includes the Board of Directors.

ASSETS: The general character, quality, diversification, and liquidity of the credit union's assets, with particular attention to assets which are adversely classified.

EARNINGS LEVEL AND TREND: Retention of earnings has historically been the principal means of augmenting equity; thus there is a direct relationship between the credit union's ability to generate satisfactory earnings and its ability to pay reasonable dividends and maintain adequate equity.

COMPARATIVE RATIOS: Ratios are used as objective measures of a credit union's condition. They provide one means of measuring an institution's relative performance. Ratios are most effective as rough benchmarks as they have proven to be over-simplified if used as the sole criteria for evaluating capital adequacy. Commonly used ratios in the analysis of capital adequacy include: equity/assets, loans/assets, classified assets/equity, return on assets and equity, and liquidity.

LIABILITY, SHARE/DEPOSIT STRUCTURE AND SHARE/DEPOSIT TRENDS: The adequacy of the credit union's equity is also assessed in relation to the composition of its total liabilities, shares and deposits. Particular attention will be accorded to the volatility of deposits and the credit union's growth experience, plans, and prospects.

SOLVENCY RATIO: The credit union's solvency ratio is determined by taking total assets less any shortage in the Allowance for Loan Loss account, other losses in assets, and other liabilities divided by total shares and deposits. This determines a value of the worth of your credit union's share and deposit dollar. A ratio of less than 100% indicates that your credit union is insolvent and strong supervisory action will be taken.

ALLOWANCE FOR LOAN LOSS ACCOUNT: The Allowance for Loan Loss account is analyzed and appraised to determine whether or not it is a true representation of the estimated loss in the total loan portfolio. Commissioner's Rule 52 requires the minimum balance in the Allowance for Loan Loss account to be equal to 50% of loans six to eleven months delinquent and 75% of loans twelve months or more delinquent. If loans are individually classified, your Allowance for Loan Loss account must be equal to 50% of loans classified as doubtful and 100% of loans classified as loss. Loans classified as loss should be charged to the Allowance for Loan Loss Account. This is necessary to meet full and fair disclosure requirements. It is the Board of Director's responsibility to analyze the loan portfolio at least quarterly and make the necessary transfers, through the Provision for Loan Loss Account, to assure that the Allowance for Loan Loss account adequately represents the estimated loss in the loan portfolio. Any shortage in the Allowance for Loan Loss Account determined during the course of an examination or follow up will be deducted from total equity.

The Bureau will also, in its evaluation of a credit union's capital adequacy, consider whether the Board has developed a capital adequacy policy, asset growth policy, and a plan to insure that equity increases at a rate equal to or greater than asset growth. The Board of Directors is charged with the responsibility of determining an adequate level of capital for their credit union through the review of the above factors and taking the necessary action to maintain capital at that level or above.

This bulletin should be read at and made part of the minutes of your next Board meeting.

If you have further questions concerning this Bulletin, please contact the Credit Union Division at (517)373-6930.

Eugene W. Kuthy, Commissioner
Financial Institution Bureau

Michael N. Fitzgerald, Director
Credit Union Division

STATE OF MICHIGAN

DEPARTMENT OF COMMERCE

FINANCIAL INSTITUTIONS BUREAU

IN RE: Application by Comerica Incorporated, Detroit, Michigan, for permission to engage in interstate banking activities through the acquisition of Grand Bancshares, Inc., Dallas, Texas.

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## ORDER OF THE COMMISSIONER

On April 8, 1988, Comerica Incorporated, Detroit, Michigan (Applicant), applied for permission to engage in interstate banking activities through the acquisition of Grand Bancshares, Inc., Dallas, Texas, pursuant to section 130b of the Michigan Banking Code of 1969, as amended, MCLA 487.301 et. seq.; MSA 23.710(1) et. seq. (Banking Code). The application was accepted for filing by the Financial Institutions Bureau (Bureau) on April 15, 1988.

Section 30 of the Banking Code requires that notice of the filing of an application with the Bureau be published in a newspaper(s) of general circulation in the community where the Applicant is located, and in the community where the organization being acquired is located. Notice is to be published once each week for two (2) consecutive weeks, with the first notice appearing within ten (10) days of the date the application was accepted for filing by the Bureau. Pursuant to statute, notice of the filing of the application was published in the Dallas Morning News on April 21 and 28, 1988, and in the Detroit Free Press on May 1 and 8, 1988. Affidavits of publication were subsequently received in a timely manner following publication.

The Applicant indicates that the delay in publishing notice of the filing of the application in its home community was the result of the publisher having misplaced the original notice. Because of this, the Commissioner elected to extend the period for application processing and adjusted the deadline for public comment to coincide with the last date of second publication. Interested parties do not appear to have been harmed by this action.

In addition to requiring the Applicant to publish notice of the filing of its application, the Commissioner notified thirty-three (33) community development organizations located throughout the

Applicant's market areas, advising them of their right to submit comments regarding the proposed acquisition, particularly as they relate to the record of the Applicant's bank subsidiaries in meeting the credit needs of their communities.

On May 10, 1988, the Bureau received a written notice of protest from Mr. James M. Edwards, Co-Chairperson of the Detroit Committee for Responsible Banking (Protestant), one of the previously identified community organizations headquartered in the City of Detroit, which received the Commissioner's notice. The notice of protest cited the basis for protest and requested that a contested case hearing be held regarding the application before the Bureau. Protestant was informed that applications filed under section 130b of the Banking Code are considered exempt from the contested case hearing process of the Administrative Procedures Act. Instead, interested parties who have filed a written notice of protest are permitted an opportunity to present oral arguments, according to the provisions of section 30 of the Banking Code.

On May 24, 1988, the Bureau received the Protestant's request for oral argument, along with a renewed request for a contested case hearing regarding Applicant's application. The request for oral argument was granted; the request for a contested case hearing was denied for the reasons cited above.

On June 16, 1988, the Bureau received a written response from the Applicant regarding the material contained in the written notice of protest and, on June 17, 1988, oral arguments were presented before a panel of the Bureau consisting of the Commissioner, the Chief Deputy Commissioner, and the Deputy Commissioner in charge of the Office of Regulation, in conference room 21A in the State of Michigan Office Building in Detroit, Michigan.

Section 130b of the Banking Code permits bank holding companies headquartered in the State of Michigan to engage in interstate banking activities, provided the Applicant submits an agreement which indicates that credit, except unsecured open end credit, extended by Applicant's bank subsidiaries to Michigan residents who do not travel outside the State of Michigan to obtain such credit, will be made in accordance with Michigan usury laws. Additionally, the Commissioner must be satisfied as to the composite record of the bank subsidiaries of the bank holding company in meeting the credit needs of the communities in which the bank subsidiaries are located, including low and moderate income neighborhoods, consistent with the safe and sound operation of the bank subsidiaries of the bank holding company.

The Applicant has submitted a written agreement regarding the extension of credit in compliance with Michigan usury laws in substantially the same form as outlined by the statute, signed by Mr. Eliot R. Stark, First Vice President for Comerica Incorporated. Therefore, the Commissioner is satisfied regarding this requirement.

In assessing the composite record of the Applicant's bank subsidiaries in meeting the credit needs of the communities in which the banks are located, the Commissioner is required to consider those factors

considered by the appropriate Federal financial supervisory agency, pursuant to regulations promulgated under the Community Reinvestment Act of 1977, 12 U.S.C. 2901 (CRA).

The Commissioner notes that the Federal Reserve System, in assessing the CRA record of a bank under its jurisdiction, evaluates the bank's performance in five (5) areas: 1) activities in determining the credit needs of its community, and efforts at marketing its services to the community; 2) types and amounts of credit extended to its community, and the degree to which those extensions are helping to meet the community needs; 3) the geographic distribution of the bank's loans and any practices meant to discourage applications, including the bank's record of opening and closing offices; 4) evidence of discrimination or other illegal credit practices; and 5) participation in community development.

Protestant alleges that the CRA record of Comerica Bank-Detroit, Applicant's lead bank, has been and continues to be less than satisfactory, as evidenced by the results of the most recent Federal CRA/Consumer Compliance Examination. Protestant states that Comerica Bank-Detroit's CRA rating places the bank among the lowest rated banks in the nation.

While the assessment criteria applied by Federal regulators are common knowledge, the results of such assessments are considered confidential by Federal regulators and thus, are not available for review by the public. Although statements by Federal regulators have been made and reported in the press, which indicate that few banks in the nation have received a less than statisfactory rating as a result of a CRA/Consumer Compliance Examination, such statements cannot be verified by the Commissioner. Pursuant to information sharing agreements between the Commissioner and Federal regulators, the Commissioner is able to obtain confidential supervisory information only on those banking organizations over which he has supervisory jurisdiction or which are the subject of an application seeking his approval.

Furthermore, section 130b of the Banking Code does not authorize the Commissioner to conduct an on-site examination of national banking associations and state chartered banks for the purpose of assessing their CRA records. Thus, the comparison made by the Protestant regarding the record of the Applicant's lead bank can be neither substantiated nor denied by the Commissioner.

In an effort to satisfy statutory requirements, the Commissioner has incorporated a series of questions in the Bureau's interstate application form which closely parallel the criteria considered by the Federal agencies when acting on applications submitted to them for consideration (12 CFR 345.7). In responding to these questions, the Applicant is required to perform a self-assessment of the record of each of its bank subsidiaries in meeting the credit needs of their CRA defined communities. The self-assessment includes a review of the record of each bank in determining the credit needs of its CRA-defined community, and the efforts by the bank to market its services in that community; the types of credit offered and extended by the bank in its community; the geographic distribution of credit within its community; the extent of compliance with

anti-discrimination and other credit related laws; and the extent of bank involvement in community development.

Protestant argues that for over ten (10) years, Comerica Bank-Detroit has maintained and enforced a corporate policy which prohibits investment in community development and redevelopment projects within the City of Detroit; has not participated in a single community development or redevelopment project in the City of Detroit; has invested heavily in real estate development of all types in areas outside the City of Detroit; and has developed a pattern of participating in the bidding process in relation to Detroit projects solely for the purpose of giving the appearance of being a willing lender.

The Applicant has responded that Comerica Bank-Detroit "has not, does not, and will not have a policy against lending in the City of Detroit." The Applicant has detailed five (5) City of Detroit development projects in which its lead bank, Comerica Bank-Detroit, has been involved. Finally, the Applicant argues that while the thrust of the protest is that Comerica does not invest in major downtown Detroit community development or redevelopment projects, the assessment factors listed in Federal regulations adopted under the Community Reinvestment Act cover a much broader scope, and the Commissioner is entitled to give consideration to all factors associated with meeting the credit needs of the communities served by Applicant's bank subsidiaries.

The Commissioner has considered the issues raised by the Protestant and the response provided by the Applicant, as well as material contained in the application and otherwise available to the Bureau for review, and cannot find evidence to support the Protestant's allegation of the existence of a corporate policy against lending in the City of Detroit. Information contained in the record developed in connection with the application reveals that Applicant's bank subsidiaries make commercial, consumer, and real estate mortgage loans, and participate in community development/redevelopment projects in each of the markets served by the banks, including the City of Detroit. Additionally, after reviewing the material contained in the application and other data available to the Bureau, the Commissioner finds that, with the exception of the Applicant's lead bank, Comerica Bank-Detroit, the composite record of the Applicant's bank subsidiaries in meeting the credit needs of their communities is satisfactory.

The Commissioner notes that the intent of CRA is, and always has been, to encourage banks to help meet the credit needs of their local communities, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of those banks. However, the Commissioner is not convinced that Applicant in the past has been fully committed to the principles of CRA. As an example, the Commissioner notes that the Applicant's lead bank, Comerica Bank-Detroit, currently operates a loan production office in the Dallas, Texas area, and in the March 2, 1988 edition of the Detroit News, the Applicant's Chairman was quoted as indicating that "...Comerica will continue to use Michigan deposits to fund some of its Texas loans because the bank's cost of funds is about one-half to two-thirds less than Texas banks." Before a bank embarks upon a program of out-of-area lending, it should ensure that the credit needs of its local community are met.

In reviewing the historical CRA record of the Applicant's lead bank, the Commissioner finds support for the previously stated argument that Comerica Bank-Detroit has a less than satisfactory record in terms of its overall commitment to CRA. In the area of mortgage lending, the Commissioner finds that for the four year period ending December 31, 1986, there were 164,268 real estate mortgage loans made in the Detroit SMSA, which includes the seven counties of Lapeer, Livingston, Macomb, Monroe, Oakland, St. Clair and Wayne. During this period, the five major banks in the Detroit market, Comerica Bank-Detroit, First of America Bank-Detroit, Manufacturers National Bank of Detroit, Michigan National Bank-Detroit, and National Bank of Detroit, made 15,529 mortgage loans. Comerica Bank-Detroit made 1,692 mortgage loans in the SMSA, representing 1% of the real estate mortgage loans made by all lenders in the market, and 10.9% of the loans made by the five major banks operating in the market. Among the five major Detroit area banks, the Applicant's lead bank ranked fourth in terms of the number of loans made in the Detroit SMSA.

When the mortgage lending record of Comerica Bank-Detroit in the City of Detroit during the previously cited four year period is reviewed, a slightly better record is noted. There were a total of 13,481 mortgage loans made in the City of Detroit, representing 8.2% of the total mortgage loans made in the Detroit SMSA. The five major Detroit area banks made 1,591 mortgage loans, accounting for 11.8% of all mortgage loans made in the City of Detroit. Of this total, Comerica Bank-Detroit made 222 loans, representing 1.6% of the mortgage loans made in the City of Detroit by all lenders, and 14% of the total mortgage loans made by the major banks in the market, ranking the bank third among its five bank peer group in terms of the number of mortgage loans made in the City of Detroit. Of all the mortgage loans made by Comerica Bank-Detroit in the Detroit SMSA, 13.1% were made in the City of Detroit.

Another focus of CRA is home improvement lending. Between 1983 and 1986, there were 119,177 home improvement loans made in the Detroit SMSA by all lenders in the market. Of this total, 38,263 were made in the City of Detroit. The five major banks in the Detroit market made a total of 28,383 home improvement loans in the Detroit SMSA, and 12,349 home improvement loans in the City of Detroit. Comerica Bank-Detroit made 6,974 home improvement loans in the SMSA (5.9%), and 3,173 in the City of Detroit (8.3%). When compared to the other major banks in the City of Detroit, Comerica Bank-Detroit ranked a distant second in terms of SMSA home improvement lending, and third in City of Detroit home improvement lending. While the record of participation by Comerica Bank-Detroit in the area of home improvement lending is less than stellar, the Commissioner finds it commendable that the bank made 45.5% of its home improvement loans to residents in the City of Detroit.

As partial rebuttal to this argument, the Applicant has indicated that Comerica Bank-Detroit, although chartered as a full service bank has focused attention upon the credit needs of major businesses and manufacturers in Detroit. Support for this apparent policy is found in statistics contained in the June 21, 1988 edition of the American Banker newspaper, which indicates that Comerica Bank-Detroit ranked 44th highest among the nation's 300 largest banks in business lending. The only Detroit area banks to receive a higher ranking were National Bank of Detroit and Manufacturers National Bank of Detroit. However, the actual number of these loans made to businesses and manufacturers in the City of Detroit is unknown.

While it is recognized that lending to major businesses and manufacturers in a given market does promote community development through the continuation and/or creation of jobs and a stable economic environment, such lending is but one facet of the overall commitment to community reinvestment which a bank must consider in serving the needs of its community.

Another area of consideration under CRA is the area of participation in local development and/or redevelopment projects. Here again, Applicant's lead bank appears to be less than aggressive. Nonetheless, while the Protestant has indicated that Comerica Bank-Detroit has not participated in a single major development or redevelopment project in the City of Detroit during the past ten years, the Applicant has shown that it has participated in five (5) such projects: development of the Detroit Renaissance Center, which the Commissioner notes was completed prior to passage of the CRA in 1977; renovation of the Roney Building; development of the Lansdowne Restaurant; redevelopment of the Crain's Publishing Building; and the New Center Development Partnership. However, the Commissioner has determined that, with the exception of its commitments to the New Center Development Partnership and the Detroit Renaissance Center, participation by the Applicant's lead bank in the aforementioned projects was limited to issuance of stand-by letters of credit backing tax exempt bond issues. Further, none of these letters of credit was exercised. While it is true that the issuance of letters of credit is an integral part of the financing mechanism, there were no funds advanced in support of these projects by Comerica Bank-Detroit. Additionally, the Commissioner finds it disappointing that for the ten year period ending 1987, the Applicant could list only five (5) development/redevelopment projects in the City of Detroit in which its lead bank was a participant.

While a commercial bank may be able to provide a wide range of products designed to meet the credit needs of its community, unless it can effectively communicate the availability of such products to residents and businesses in its community, they will serve no useful purpose. Here again, the Applicant's efforts to effectively advertise and market its services to residents of the City of Detroit appear in need of improvement. The Commissioner finds that although the Applicant actively advertises in the Michigan Chronicle (a minority publication with a weekly circulation of 38,000), the Detroit Free Press (daily city circulation of 157,140) and the Detroit News (daily city circulation of 195,515), such advertising is not necessarily reflective of the market at which it is targeted. Rather, from the samples provided by the Applicant, the advertising appears to be directed at middle to upper income, suburban residents. The Applicant has indicated that advertising appearing in the above publications has the potential to be seen by as much as 47% of the minority population in the Metropolitan Detroit area and while this is commendable, its value in terms of satisfying the requirements of CRA is greatly diminished unless such advertising is seen as relevant to the reader.

Based upon the above discussion, the Commissioner finds that the past performance of the Applicant's lead bank regarding its record of meeting the credit needs of residents in the Detroit market area has been less than adequate. However, the Commissioner, in considering the relevant facts of the application, is not limited to reviewing the historical record of the Applicant's bank subsidiaries in meeting the credit needs of residents in its market areas. Rather, the Commissioner must look at what was, what is, and what will be the Applicant's record of meeting the credit needs of its market.

While the historical record of the Applicant's lead bank appears to have been deficient in its overall commitment to CRA, recent action taken by the Applicant indicates an apparent change in policy direction which could benefit the residents of the City of Detroit, and enhance the community responsiveness of the Applicant's bank subsidiaries, particularly its lead bank. Examples of this renewed commitment can be found in the appointment of one of the Applicant's Vice Chairmen to assume overall responsibility to assure that the holding company, and particularly its lead bank, fully complies with the provisions of the Community Reinvestment Act. Further

examples can be found in the fact that in 1987, Comerica Bank-Detroit established a CRA Committee, responsible for developing the bank's CRA Plan, monitoring compliance efforts, and tracking corporate activities in light of the Plan. Additionally, one of the bank's Vice Presidents has been designated CRA Officer, with responsibility for making sure that the bank is current on all CRA reporting requirements, and that representatives of the bank meet regularly with community organizations in the Detroit area to assess community credit needs.

Comerica Bank-Detroit has also taken positive steps in terms of its commitment to the City of Detroit and its development efforts. Examples of this can be found in the bank's $27 million loan commitment as part of the $60 million Detroit Plaza Limited Apartment Complex development project, and in the bank's willingness to participate with other area financial institutions in the City of Detroit Neighborhood Housing Stabilization Program.

Additionally, the Applicant has committed in writing to improving the record of its lead bank, Comerica Bank-Detroit, in complying with the spirit of CRA, and meeting the credit needs of the City of Detroit through various actions outlined in its response to the instant protest (see Exhibit A attached). Under this commitment, Applicant has stated that its lead bank will broaden its efforts to ascertain the credit needs of the City of Detroit; seek to increase the number of credit-worthy mortgage loans, home improvement loans, small business and governmentally-insured loans made in the City of Detroit; and seek to increase the support it provides to community development and redevelopment projects in the City of Detroit. If the Applicant successfully carries out this commitment, it will meet the policy objectives of section 130b and CRA.

Section 130b of the Michigan Banking Code of 1969 was designed to promote market competition, to assist Michigan's economic development efforts by bringing new sources of capital to the marketplace, and to enhance financial services to the public. However, interstate acquisitions under section 130b were not designed to take place at the expense of meeting the credit needs of an Applicant's current market. Like CRA at the Federal level, section 130b encourages the bank subsidiaries of a bank holding company to meet the credit needs of the communities served, including low and moderate income individuals.

The Protestant, during oral argument, expressed reserved appreciation at the recent action taken by the Applicant's lead bank in assisting the City of Detroit in its development efforts, and asked the Commissioner to delay approval of the application pending further tangible signs of improvement. Certainly improvement in this area is the goal of all involved; Protestant, Applicant and the Commissioner. However, the Commissioner is not convinced that a lengthy delay in the approval process is necessary to insure progress on the part of the Applicant's lead bank relative to its CRA performance.

The Commissioner is cognizant of the recent actions taken by Comerica Bank-Detroit, together with the commitments by the Applicant to improve its CRA performance. Yet, much remains for Applicant to do. Applicant has not yet set sufficiently specific goals and objectives, or taken sufficient action toward reaching those goals, to warrant an unconditional approval. Requiring the Applicant's lead bank to submit an acceptable written plan for improving its responsiveness to the credit needs of its community, together with periodic reports to monitor progress under the plan, which will be reviewed by the Bureau and be available to the public, should go a long way toward achieving the desired results.

Therefore, the application by Comerica Incorporated, Detroit, Michigan, to engage in interstate banking activity through the acquisition of Grand Bancshares, Inc., Dallas, Texas, is APPROVED subject to the following conditions:

A. Applicant shall submit a written plan for enhancing the performance of Comerica Bank-Detroit relative to meeting the credit needs of its communty, which is acceptable to the Commissioner, and which has been adopted by the bank's Board of Directors. Such plan shall be finalized only after senior management of Comerica Bank-Detroit requests and obtains input from representatives of community groups and the City of Detroit. At a minimum, the plan shall include the goals, objectives and efforts to be made by the bank in determining the credit needs of its community and marketing its services to the community, including the types and amounts of credit being extended, the geographic distribution of such credit, methods employed by the bank to insure that discrimination or other illegal credit practices are avoided, and participating in development and redevelopment projects in the City of Detroit. The plan shall also set forth the amount of funding to be committed by the bank in the City of Detroit over the next two (2) years in the areas of:

1. real estate mortgage lending
2. home improvement lending
3. development and redevelopment projects
4. small business lending
5. consumer loans

Consummation of the proposed acquisition shall not occur until the Applicant submits a plan which is approved by the Commissioner;

B. Applicant shall submit quarterly reports to this office providing details and efforts by its lead bank, Comerica Bank-Detroit, in meeting the goals and objectives outlined in its plan submitted under condition A above. Reporting shall begin at the end of the first full calendar quarter following acceptance of the plan from Applicant's lead bank. Reports are to be received by the Commissioner within thirty (30) days following the end of each quarter, and shall be reviewed and approved by the bank's Board of Directors prior to submission to the Commissioner. Reporting will continue for the succeeding two year period, or until such time as the Commissioner may determine.

C. Applicant shall meet the conditions of the Federal Reserve System, and the State of Texas;

D. Applicant shall furnish evidence to the Bureau that approval has been issued by the Federal Reserve System and the State of Texas;

E. Applicant shall supply written notification to the Bureau as to the effective date of the acquisition.

Upon written request, it is the Commissioner's intent to make available for public review any and all plans submitted under this Order, in an effort to assist community organizations and the general public in

aiding the Applicant's lead bank in its efforts to determine and meet the credit needs of its community. Additionally, the bank's performance under the plan will be evaluated in all future applications filed by the Applicant pursuant to section 130b of the Banking Code.

Eugene W. Kuthy

Eugene W. Kuthy, Commissioner
Financial Institutions Bureau
Department of Commerce

DATE:

July 29, 1988

Exhibit A

## COMERICA BANK-DETROIT CRA ACTION PLAN

The following is the CRA action plan for Comerica Incorporated's lead bank, Comerica Bank-Detroit, which was submitted to the Commissioner of the Financial Institutions Bureau on June 15, 1988, as part of its response to protest of its application to acquire Grand Bancshares, Inc., Dallas, Texas.

"1. Comerica will broaden its efforts to ascertain the credit needs of the City of Detroit by such means as:
   - requiring its CRA officers and its branch managers to meet frequently with representatives of local community organizations regarding such services--
   - requiring its CRA Committee to study the reasons for credit denials to identify obstacles to approval that could be removed--
   - developing an in-bank "Speakers Bureau" which will seek to interface with community organizations on credit services.

2. Comerica will seek to increase the number of credit-worthy mortgage loans, home improvement loans, small business and governmentally-insured loans made in the City of Detroit by such means as:
   - sponsoring seminars and workshops for branch managers to provide training in identifying and addressing local credit needs--
   - developing brochures that explain credit products for distribution to community organizations--
   - expanding advertising programs for mortgages and home improvement loans, to include targeted advertisement in minority newspapers and in community newsletters--
   - assigning Business Development Representatives to work with and originate loans from real estate brokers in the City--
   - requiring the Bank's Small Business Development Group to call upon existing and potential customers in the City, as well as sources for referrals, with the purpose of developing more credit-worthy small business loans--
   - carefully monitoring the applications for and the amount of loans made by the Bank in the City.

3. Comerica will seek to increase the support it provides to community development and redevelopment projects by such means as:
   - requiring the Bank's Commercial Real Estate and Corporate Development Departments to increase their contacts with developers and appropriate City officials, thereby ensuring that the Bank is apprised of all development and redevelopment projects in the area and given the opportunity to participate in them--
   - requiring Bank officials to work with community organizations, businesses, City officials, and civic organizations, to assist and participate in efforts to revitalize business strips and neighborhoods."

STATE OF MICHIGAN

DEPARTMENT OF COMMERCE

FINANCIAL INSTITUTIONS BUREAU

IN RE: Application by First of America Bank Corporation, Kalamazoo, Michigan, for permission to engage in interstate banking activities through the acquisition of Quad Cities First Company, Rock Island, Illinois.

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## ORDER OF THE COMMISSIONER

On August 23, 1988, First of America Bank Corporation, Kalamazoo, Michigan (Applicant), filed an application for permission to engage in interstate banking activities through the acquisition of Quad Cities First Company, Rock Island, Illinois, pursuant to section 130b of the Michigan Banking Code of 1969, as amended, MCLA 487.301 et. seq.; MSA 23.710(1) et. seq. (Banking Code). The application was accepted for filing by the Financial Institutions Bureau (Bureau) on August 30, 1988.

Section 30 of the Banking Code requires that notice of the filing of an application with the Bureau be published in a newspaper(s) of general circulation in the community where the Applicant is located, and in the community where the organization being acquired is located. Notice is to be published once each week for two (2) consecutive weeks, with the first notice appearing within ten (10) days of the date the application is accepted for filing by the Bureau. Pursuant to statute, notice of the filing of the application was published in The Kalamazoo Gazette, Kalamazoo, Michigan, and The Daily Dispatch, Rock Island, Illinois, on September 6 and 13, 1988. Affidavits of publication were subsequently received by the Bureau in a timely manner.

In addition to requiring the Applicant to provide public notice of the filing of its application, the Commissioner notified thirty-seven (37) community development organizations located throughout the Applicant's market areas, advising them of their right to submit comments regarding the proposed acquisition, particularly as they relate to the record of the Applicant's bank subsidiaries in meeting the credit needs of their communities.

The Bureau received two (2) notices of protest. The first, filed by Mr. Arthur L. Johnson on behalf of the Ad Hoc Coalition on Fair Banking Practices in Detroit, was received on September 20, 1988. The second notice of protest was filed by Mr. Allie Gaines on behalf of Michigan ACORN, and was received by the Bureau on September 23, 1988. In acknowledging the notices of protest, both parties were advised that formal statements of protest, pursuant to statute, must be filed with the Bureau within thirty (30) days of the date of the second publication of notice of filing of the application.

Representatives for the Ad Hoc Coalition on Fair Banking Practices in Detroit did not elect to file a written statement of protest and, in fact, submitted correspondence to the Commissioner formally withdrawing their protest. However, on October 13, 1988, the Bureau received a formal written statement of protest from Mr. Tom Regan, Head Organizer, Michigan ACORN (Protestant), along with a request for oral argument. In conversation with representatives of the Protestant, it was discovered that the Applicant had not been provided with a copy of the written statement of protest by the Protestant as prescribed by statute. Thus, a copy of the Protestant's formal statement of protest was forwarded to the Applicant by the Bureau on October 20, 1988. On October 24, 1988, the Applicant's response to protest was received by the Bureau, and on October 28, 1988 oral arguments were presented before the Commissioner at the State Office Building in Detroit, Michigan.

Protestant has indicated that Applicant failed to comply with the provisions of the Community Reinvestment Act of 1977 (CRA) by ignoring the credit needs of those businesses and residents of low to moderate income neighborhoods in the communities served by the Applicant's bank subsidiaries, particularly in the City of Detroit. During oral argument, Protestant argued that the Applicant had deliberately redlined low and moderate income neighborhoods in the City of Detroit. Protestant further argued that the plan proposed by the Applicant's Detroit subsidiary for enhancing investment in the City of Detroit does not specifically target low and moderate income neighborhoods, and does not meet the minimum standards set by Comerica Bank-Detroit in its plan submitted in connection with another interstate banking application. Additionally, the Protestant argues that the Applicant's overall record of meeting the credit needs of its communities is inadequate as evidenced by the poor record of real estate lending by its subsidiary banks located in other metropolitan areas.

In support of its redlining allegation, Protestant cites the real estate mortgage lending record of Applicant's Detroit subsidiary. Protestant indicates that in 1986, Applicant made 1,483 mortgage loans in the Detroit metropolitan area, but only 19 (1.28%) were made in the City of Detroit. In terms of lending in the Detroit Metropolitan area outside the cities of Detroit and Pontiac, Protestant indicates that 1,441 mortgage loans were made by Applicant's bank subsidiaries, but less than 2% of these suburban loans were made in low income neighborhoods. This reportedly earned the Applicant a tie for the worst record of mortgage lending in low income areas in the Metropolitan Detroit area in terms of the number of loans extended. Protestant further indicates that in 1987, there were $440 million in mortgage loans made by Applicant's subsidiary banks, but only $500 thousand were made in the City of Detroit.

Protestant has argued that not only does the Applicant have a poor record of mortgage lending in the City of Detroit, it has a poor record of mortgage lending throughout the state. In Kalamazoo, the Applicant's home city, Protestant indicates that Applicant made 717 mortgage loans, but that only 45 (6.28%) were made in low income areas, despite the fact that 25% of the Kalamazoo population reportedly lives in low income areas. In the Grand Rapids market, Protestant indicates that Applicant made 236 mortgage loans in 1986, but only 6 (2.54%) of these were made to residents in low income neighborhoods, while 17% of the population reportedly lives in low income neighborhoods. Protestant further indicates that of the 381 mortgage loans made by the Applicant in the Saginaw/Bay City/Midland market, only 9 (2.36%) were made in low income areas, tieing the Applicant's bank subsidiary with another institution as having the worst mortgage lending record in the market. In the Ann Arbor/Ypsilanti market, the Applicant reportedly made 203 mortgage loans during 1986, with 23 (11.33%) being made to residents of low income neighborhoods. This reportedly ranked the Applicant's Ann Arbor bank subsidiary in the bottom half of all lenders in terms of the number of loans made in low income areas in the market.

As additional support for its allegations of redlining, Protestant cites a recent quote by the Chairman of the Board of Directors for the Applicant's Detroit subsidiary, taken from one of the Detroit area newspapers. The bank's Chairman indicates that "There are some neighborhoods in this town where we can't lend money because the values aren't stable."

During oral argument, the Chairman of the Applicant's Detroit subsidiary responded by indicating that "...it is in our interest both as a member of this community and as a business in this community to do what we can to ensure the health, viability and long-term success of Detroit. We are committed to that. We think Detroit is a place where we can do more business than we have done."

The Applicant has further responded by indicating that home mortgage lending is not a specific requirement of CRA. As support for this position, Applicant cited statements by Governor Martha Seger of the Federal Reserve Board. In a speech before the House Banking Committee, Governor Seger is reported to have indicated that "CRA has become over the years synonymous with home lending in the minds of many. The regulation however does not reflect such a leaning. It reflects the very strong belief that a long list of other forms of lending are just as important to the communities of this nation." Governor Seger is further quoted as indicating that "This is particularly critical to the Federal Reserve, since many banks have chosen not to specialize in home lending, preferring not to engage heavily in the long-term mortgage market. We believe these banks still play a valuable part in meeting other needs of their communities."

Despite this fact, the Applicant acknowledged that the historical record of its Detroit subsidiary in making real estate mortgage loans has been less than satisfactory, and that the bank previously had not been effective in communicating with the businesses and residents in the Detroit market area. However, Applicant indicates that action was initiated during 1988, which should correct this deficiency. Among these

initiatives has been the creation of a community investment advisory committee at the Detroit subsidiary. The committee is comprised of senior bank officers and representatives of several active community organizations. Its purpose is to insure that the bank is doing its job in determining and meeting the credit needs of its market, particularly in the City of Detroit. At the corporate level, the Applicant has appointed one of its officers to oversee CRA activity at all bank subsidiaries, and has initiated monthly CRA progress reporting requirements for all banks in the system.

The Commissioner agrees that the Applicant's prior record of mortgage lending in the City of Detroit, and in other low and moderate income neighborhoods served by its subsidiaries, needs improvement. However, the Applicant has initiated programs which should correct these deficiencies. They include a pilot program of "adopting" two neighborhoods in the City, which, if successful, will be marketed throughout the City of Detroit; a commitment to $12 million in increased mortgage lending in the City of Detroit over the next three years; and a request for an exemption under the State's anti-redlining laws in order to provide more attractive real estate mortgage and home improvement loan terms in the City of Detroit. Additionally, the Applicant has increased its efforts to communicate with the residents and businesses in all its major market areas to determine community credit needs.

This latter initiative is perhaps the most important. It seems axiomatic that before an institution can begin the process of serving the needs of its community, it must first determine what those needs are. The efforts of Applicant in this regard have begun the process of identifying the community needs. Once the needs are determined, Applicant can then determine how it can best meet those needs. For a variety of reasons, an institution may elect not to offer a certain type of credit service. However, under CRA, once a conscious decision to engage in a type of lending has been made, it is expected that the institution will offer the product to all segments of its market, with emphasis on low and moderate income neighborhoods. To further this process, the Commissioner requested, and received information relating to efforts undertaken by the Applicant's bank subsidiaries in determining the credit needs of their respective communities. A review of the material submitted reveals that Applicant's subsidiaries have, and are continuing to regularly meet with representatives of their community to ascertain community credit needs. Additionally, from the information presented, the Commissioner is unable to discern a pattern of discriminatory lending practices on the part of Applicant's bank subsidiaries.

While the Commissioner agrees that real estate mortgage lending is an important part of serving the credit needs of a community, the Commissioner similarly agrees that it is but one facet of lending which is designed to serve the community's credit needs. The Applicant has provided evidence that its bank subsidiaries actively participate in a number of loan programs designed to serve the credit needs of their communities. The Protestant has indicated, by reporting the number of mortgage loans made, that the Applicant is not serving the credit needs of its communities. However, as with all types of numeric reporting, the mere recitation of figures relating to the number of loans made in a given area is not necessarily reflective of the need for such loans in the

area. As indicated above, the Applicant has increased initiatives designed to ascertain the credit needs of the communities served by its bank subsidiaries, and has initiated, or has begun to initiate programs designed to serve those needs. Thus, the Commissioner is not convinced that the composite record of the Applicant's bank subsidiaries in meeting the credit needs of their respective communities warrants denial of the Applicant's application.

Protestant has argued that the Applicant's proposed plan for enhancing the lending record of its Detroit bank subsidiary in the City of Detroit, submitted prior to protest and made a part of the Applicant's written response to protest, is inadequate. Protestant argues that the plan does not call for a commitment to new lending in the city, or provide specific details on how Applicant's products will be marketed to residents of low and moderate income areas in the City. Protestant further indicates that Applicant's plan should include loan requirement adjustments, more liberal underwriting criteria, specific low income mortgage products, details on determining community credit needs, modified appraisal procedures, a program to extend high risk credit to minority small business entrepreneurs, and increases in minority lending personnel. Protestant has argued that these standards were established by Comerica Bank-Detroit in its plan submitted in connection with its interstate application, and that the Applicant should be held to the same standards.

The Applicant has responded by indicating that its Detroit subsidiary has committed to strengthening its home mortgage lending, and has stated that of the $69 million in loans proposed for the City of Detroit, $12 million is to be new mortgage loans, $33 million is to be new business and development loans, and $24 million is to be new home improvement loans.

Throughout the oral argument, the Protestant indicated that the community investment plan prepared by the Detroit subsidiary of Comerica Incorporated, was the "standard" by which all other banks should be judged. And, that Applicant's proposed acquisition of the Illinois holding company should be delayed until such time as the Applicant's plan contained all the provisions of the Comerica plan.

The Commissioner has considered these arguments and determined that the community investment plan submitted by Comerica Bank-Detroit in connection with the interstate application by its parent organization, Comerica, Incorporated, is not to be taken as the "standard" for the banking industry in Michigan. The Comerica plan was developed at the request of the Commissioner, as a result of the Bureau's review of the record of Comerica's Detroit subsidiary in meeting the credit needs of its community. The plan, which sets forth initiatives by Comerica Bank-Detroit for enhancing its community reinvestment performance, was developed by the staff and officers of Comerica Bank-Detroit, in cooperation with various community organizations and representatives of city government, and approved by the bank's Board of Directors.

While the Community Reinvestment Act of 1977, 12 U.S.C. 2901 (CRA), requires regulatory agencies to encourage financial institutions to help meet the credit needs of their local communities, especially low and moderate income neighborhoods, it does not establish minimum standards

which can be uniformly applied to banks throughout the country. Rather, each plan is unique to the bank and community for which it was created. Thus, to say that the Comerica plan sets the standard by which all other plans will be evaluated is inappropriate. Plans submitted to the Commissioner for consideration will be evaluated based upon their individual merits, relative to the circumstances under which they were developed and submitted.

Protestant has indicated that while the Applicant's record of mortgage lending in low and moderate income neighborhoods ranked it consistently at or near the bottom in all markets, it was not its desire to request that the Commissioner deny the Applicant's application. Rather, the Protestant urged the Commissioner to require Applicant to submit a revised plan, which provides specific detail regarding efforts to enhance its record of lending to low and moderate income areas in the City of Detroit. Protestant further suggests that in light of Applicant's poor performance in low and moderate income areas in other markets, the Commissioner should require the Applicant to develop lending programs that not only target the City of Detroit, but which target all markets served by the Applicant's bank subsidiaries.

The Commissioner has considered the arguments presented by Protestant and, as previously indicated, is not convinced that the Applicant's bank subsidiaries have not or will not strive to serve the credit needs of their respective communities. Additionally, the Commissioner has received correspondence from community organizations in the City of Detroit supporting the Applicant's plan, in that it adequately addresses the concerns raised by the community in communications with the Applicant's Detroit subsidiary. However, the Commissioner notes that the Applicant's plan is conditioned upon a waiver of the requirements under the anti-redlining laws of the State of Michigan, as they relate to activities of the Applicant's Detroit bank subsidiary. While an exemption of the statutory underwriting limitations imposed under Michigan's anti-redlining laws would be considered by the Commissioner under certain circumstances, a complete waiver of the requirements of Michigan's anti-redlining laws is not appropriate. The Applicant was informed of the inappropriateness of its request and, on December 9, 1988, the Commissioner received an amended request from Applicant's Detroit subsidiary, asking for an exemption under section 4 of the anti-redlining laws, in order that it might offer more advantageous loan terms for the entire City of Detroit.

As previously indicated, Protestant has argued that Applicant's bank subsidiaries located in major metropolitan markets in Michigan, other than the City of Detroit, are not meeting the credit needs of their community. Protestant has once again cited the number of real estate mortage loans made in those markets as evidence to support its argument. The Commissioner has previously discussed the difficulty in using the number of loans made in a given market as support for an argument that a bank is not serving the credit needs of its community, especially if those numbers refer to only one facet of lending. Instead, the efforts by a bank in determining community credit needs is deemed to be the important issue. In reviewing the application, the efforts by the Applicant's outstate bank subsidiaries in this regard is not completely clear. For this reason, the Commissioner requested and received information relating

to the initiatives undertaken by these outstate subsidiaries in determining the credit needs of their respective communities. Material presented by the Applicant indicates that its subsidiary banks have been, and are continuing to regularly meet with representatives of their respective communities, both in the business sector and in low and moderate income areas. Thus, the Commissioner is convinced that the Applicant's bank subsidiaries located in major outstate metropolitan markets are taking proper steps to determine local community credit needs, that those efforts will increase, and will be effective in recognizing local community credit needs. This, in the opinion of the Commissioner, accomplishes the goal of encouraging financial institutions to meet the credit needs of their communities as required by the CRA.

Thus, after considering the record developed in connection the Applicant's application, the Commissioner finds that while the historic record of the Applicant's Detroit subsidiary has been deficient relative to its record of mortgage lending in low income areas in the City of Detroit, the recent initiatives undertaken by the Applicant's bank to determine and meet the credit needs of the residents and businesses in the City, including the adoption of two neighborhoods, reflect a positive trend. — However, because not enough time has passed to adequately determine whether or not such initiatives will be successful in correcting the noted deficiency, Applicant will be required to make regular reports on the nature and effect of its efforts to identify and meet the community needs of the residents and businesses in the City of Detroit.

Therefore, the application by First of America Bank Corporation, Kalamazoo, Michigan, for permission to engage in interstate banking activities through the acquisition of Quad Cities First Company, Rock Island, Illinois is APPROVED subject to the following:

A) Applicant shall submit quarterly reports to this office providing details regarding the efforts of its Detroit bank subsidiary in meeting the goals and objectives outlined in its plan dated October 12, 1988, beginning with the first full quarter following the date of this Order. Reports are to be received by the Commissioner within forty-five (45) days following the end of each quarter, and shall be reviewed and approved by the Board of Directors of the bank prior to submission to the Commissioner. Reporting will continue for the succeeding two year period, or until such time as the Commissioner may determine.

B) Applicant shall supply written notification to the Bureau as to the effective date of the acquisition.

Any plan submitted under this Order will be available to the public upon written request. Additionally, the performance of First of America Bank-Southeast Michigan, N. A., and all other bank subsidiaries of First of America Bank Corporation in fulfilling their obligations under the CRA will be evaluated in all future applications filed by the Applicant pursuant to section 130b of the Banking Code.

Finally, pursuant to section 30(10) of the Banking Code, the Applicant or other interested party who has filed written statements of

protest pursuant to statute, if dissatisfied with this Order, may file a written request for reconsideration of the Order. Such request must be received by the Commissioner within ten (10) days of the date of the Order, and must state the reasons for the request. This action is a prerequisite to further appellate court action.

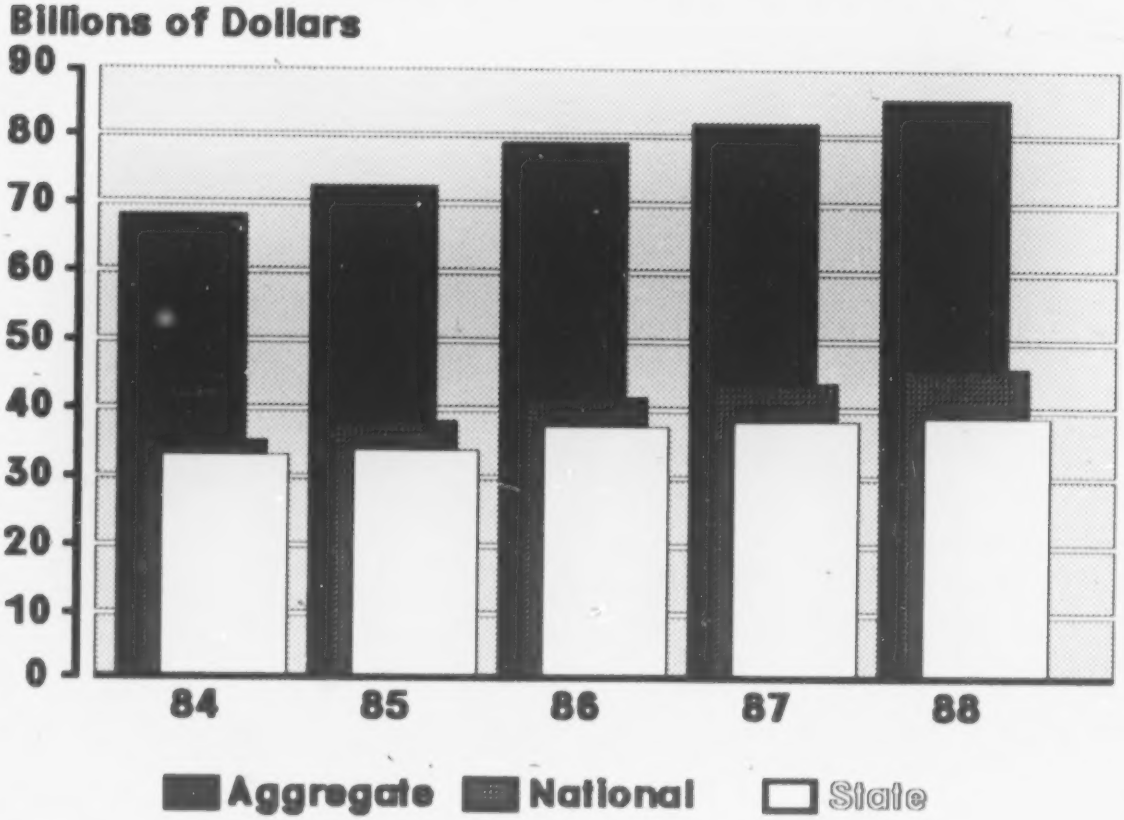
Eugene W. Kuthy, Commissioner
Financial Institutions Bureau
Department of Commerce

DATE:

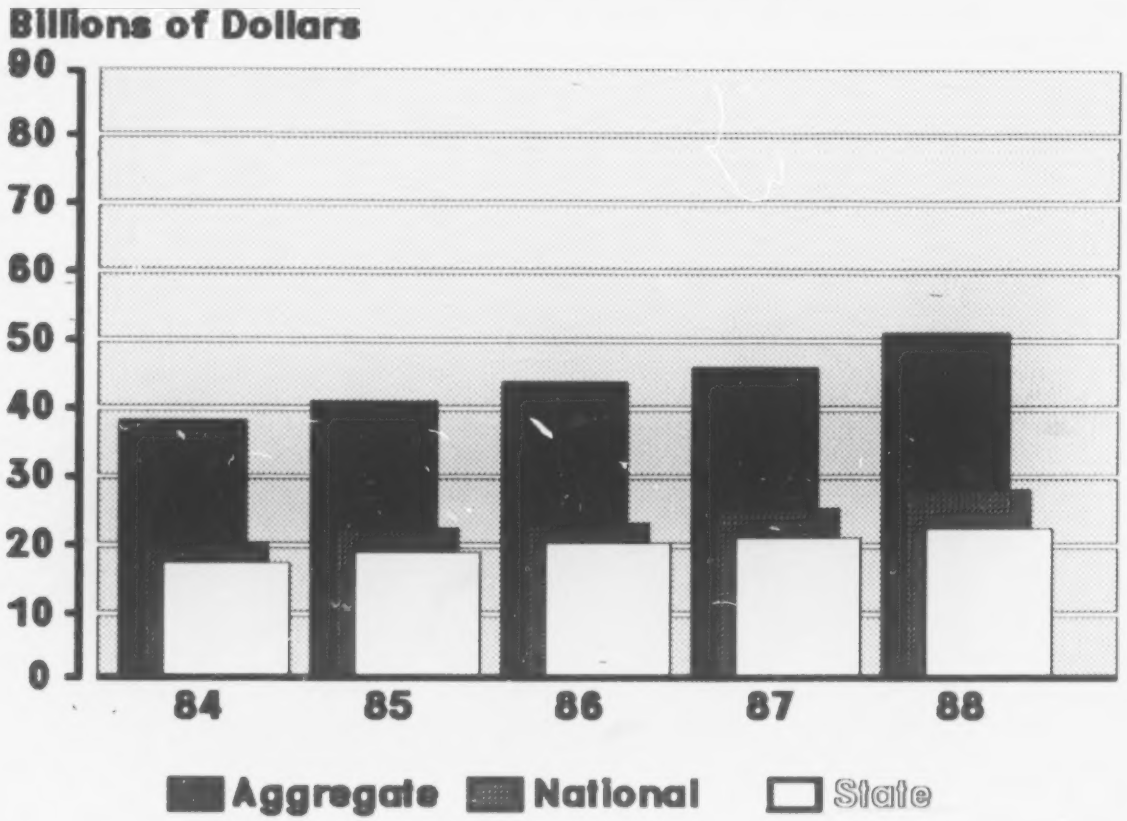
December 20, 1988

# BANK AND TRUST
# CHARTS AND TABLES

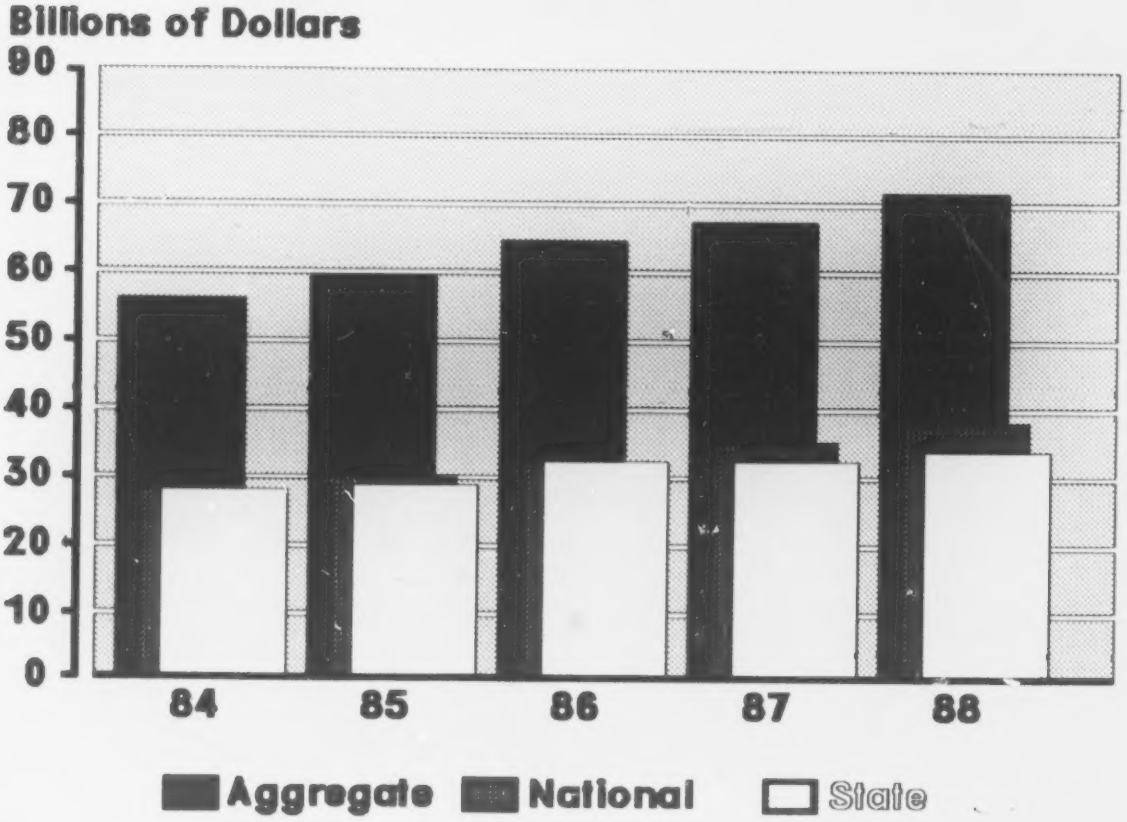
## COMPARATIVE CHART OF ASSETS OF STATE AND NATIONAL BANKS IN MICHIGAN



## COMPARATIVE CHART OF LOANS OF STATE AND NATIONAL BANKS IN MICHIGAN



## COMPARATIVE CHART OF DEPOSITS OF STATE AND NATIONAL BANKS IN MICHIGAN



## CONSOLIDATED BALANCE SHEET OF STATE BANKS

(000's Omitted)

| | | 204 Banks 1,128 Branches December 31, 1988 |
|---|---|---|
| **ASSETS** | | |
| Cash and balances due from depository institutions | | $ 4,604,989 |
| Noninterest-bearing balances and currency and coin | $ 2,242,419 | |
| Interest-bearing balances | 2,362,570 | |
| Securities | | 9,317,576 |
| Federal funds sold and securities purchased under agreements to resell | | 1,056,035 |
| Total loans and leases (excluding unearned income) | $ 23,064,497 | |
| Less: Allowance for loan and lease losses | 325,849 | |
| Net loans and leases | | 22,738,648 |
| Assets held in trading accounts | | 1,535 |
| Premises and fixed assets (including capitalized leases) | | 478,681 |
| Other real estate owned | | 52,741 |
| Investments in unconsolidated subsidiaries and associated companies | | 856 |
| Customers' liability to banks on acceptances outstanding | | 5,623 |
| Intangible assets | | 2,362 |
| Other assets | | 610,989 |
| TOTAL ASSETS | | $ 38,868,035 |
| **LIABILITIES** | | |
| Total deposits | | $ 33,597,732 |
| Noninterest-bearing | $ 5,289,317 | |
| Interest-bearing | 28,308,415 | |
| Federal funds purchased and securities sold under agreements to repurchase | | 1,539,534 |
| Demand notes issued to the U. S. Treasury | | 570,868 |
| Other borrowed money | | 23,992 |
| Mortgage indebtedness and obligations under capitalized leases | | 10,970 |
| Bank's liability on acceptances executed and outstanding | | 5,623 |
| Notes and debentures subordinated to deposits | | 128,065 |
| Other liabilities | | 361,125 |
| TOTAL LIABILITIES | | $ 36,235,909 |
| **EQUITY CAPITAL** | | |
| Perpetual preferred stock | | $ 5,425 |
| Common stock | | 380,037 |
| Surplus | | 1,077,379 |
| Undivided profits and capital reserves | | 1,169,285 |
| TOTAL EQUITY CAPITAL | | 2,632,126 |
| TOTAL LIABILITIES AND EQUITY CAPITAL | | $ 38,868,035 |
| *Includes deposits of State money - Michigan | | $ 69,397 |

## LOANS HELD BY STATE BANKS

(000's Omitted)

| | December 31, 1988 |
|---|---|
| Real estate loans: | |
| Construction and land development | $ 472,135 |
| Secured by farmland (including farm residential and other improvements) | 160,466 |
| Secured by 1-4 family residential properties | 6,233,345 |
| Secured by multifamily (5 or more) residential properties | 127,514 |
| Secured by nonfarm nonresidential properties | 7,705,886 |
| Loans to depository institutions | 77,545 |
| Loans to finance agricultural production and other loans to farmers | 313,447 |
| Commercial and industrial loans | 6,325,738 |
| Acceptances of other banks | 41,918 |
| Loans to individuals for household, family, and other personal expenditures (includes purchased paper): | |
| Credit cards and related plans (includes check credit and other revolving credit plans) | 1,060,033 |
| Other (includes single payment and installment) | 4,602,622 |
| Obligations (other than securities) of states and political subdivisions in the U.S. | 495,801 |
| All other loans | 456,944 |
| Lease financing receivables (net of unearned income) | 14,656 |
| Gross loans and leases | $ 25,088,050 |
| Less: Unearned income on loans reflected in items above | 23,553 |
| TOTAL LOANS AND LEASES (net of unearned income) | $ 23,064,497 |

## SELECTED FINANCIAL RATIOS - 1988

| No. | Category | Return On Average Assets | Total Loans/ Total Assets | Consumer Loans/ Total Loans | Commercial Loans/ Total Loans | Mortgage Loans/ Total Loans | Interest Bearing Deposits/ Total Deposits | IRA Keogh Accounts/ Total Deposits |
|---|---|---|---|---|---|---|---|---|
| 204 | State Banks | 1.14% | 59.34% | 24.55% | 27.43% | 42.05% | 84.26% | 6.67% |
| 85 | National Banks | 1.04 | 61.81 | 17.04 | 38.39 | 32.74 | 79.89 | 5.64 |
| 72 | Independent Banks | 1.12 | 50.83 | 25.23 | 17.83 | 50.36 | 86.59 | 5.03 |
| 215 | Holding Co. Banks | 1.11 | 61.41 | 20.10 | 34.45 | 36.07 | 81.56 | 6.20 |
| 287 | Michigan Banks | 1.11 | 60.68 | 20.[illegible] | 33.50 | 36.89 | 81.92 | 6.12 |

## CONSOLIDATED STATEMENT OF OPERATIONS AND CAPITAL OF STATE BANKS

(000's Omitted)

### SOURCES AND DISPOSITION OF INCOME

| | 1988 |
|---|---|
| Interest Income: | |
| Interest and fee income on loans | $ 2,319,886 |
| Interest from lease financing receivables | 3,585 |
| Interest income on balances due from depository institutions | 208,170 |
| Interest and dividend income on securities | 715,950 |
| Interest income from assets held in trading accounts | 1,383 |
| Interest income on federal funds sold and securities purchased under agreements to resell | 78,911 |
| Total interest income | $ 3,327,885 |
| Interest Expenses: | |
| Interest on deposits | $ 1,708,846 |
| Expense of federal funds purchased and securities sold under agreements to repurchase. | 117,078 |
| Interest on demand notes issued to the U. S. Treasury and on other borrowed money | 26,614 |
| Interest on mortgage indebtedness and obligations under capitalized leases | 1,106 |
| Interest on notes and debentures subordinated to deposits | 11,483 |
| Total interest expense | $ 1,865,127 |
| Net interest income | $ 1,462,758 |
| LESS: Provision for loan and lease losses | 86,644 |
| Noninterest income | 340,163 |
| Gains (losses) on securities not held in trading accounts | (5,064) |
| Noninterest Expenses: | |
| Salaries and employee benefits | $ 515,437 |
| Expenses of premises and fixed assets (net of rental income) (excluding salaries and employee benefits and mortgage interest) | 158,197 |
| Other noninterest expense | 472,299 |
| Total noninterest expense | $ 1,145,933 |
| Income (loss) before income taxes and extraordinary items and other adjustments | $ 565,280 |
| LESS: Applicable income taxes | 141,661 |
| Income (loss) before extraordinary items and other adjustments | 423,619 |
| Extraordinary items (net of taxes) | 5,431 |
| Net income | $ 429,050 |

### CHANGES IN EQUITY CAPITAL

| | |
|---|---|
| Balance end of previous year | $ 2,328,042 |
| Adjustments | (645) |
| Adjusted balance end of previous year | $ 2,327,397 |
| Net income (loss) | 429,050 |
| Sale, conversion, acquisition, or retirement of capital, net | 8,665 |
| Changes incident to mergers and absorptions, net | 118,577 |
| LESS: Cash dividends declared on common stock | (250,760) |
| LESS: Cash dividends declared on preferred stock | (142) |
| Other increases (decreases) | (661) |
| Balance end of period | $ 2,632,126 |

## CONSOLIDATED BALANCE SHEET OF NATIONAL BANKS

(000's Omitted)

| | | 83 Banks December 31, 1988 |
|---|---|---|
| **ASSETS** | | |
| Cash and balances due from depository institutions | | $ 6,668,786 |
| Noninterest-bearing balances and currency and coin | $ 3,343,886 | |
| Interest-bearing balances | 3,324,900 | |
| Securities | | 8,703,756 |
| Federal funds sold and securities purchased under agreements to resell | | 652,082 |
| Total loans and leases (excluding unearned income) | $28,627,897 | |
| Less: Allowance for loan and lease losses | 455,933 | |
| Net loans and leases | | 28,171,964 |
| Assets held in trading accounts | | 40,116 |
| Premises and fixed assets (including capitalized leases) | | 561,582 |
| Other real estate owned | | 63,113 |
| Investments in unconsolidated subsidiaries and associated companies | | 7,726 |
| Customers' liability on acceptances executed and outstanding | | 428,443 |
| Intangible assets | | 165,434 |
| Other assets | | 854,978 |
| TOTAL ASSETS | | $ 46,317,980 |
| **LIABILITIES** | | |
| Total deposits | | $ 38,432,826 |
| Noninterest-bearing | $ 7,731,523 | |
| Interest-bearing | 30,701,303 | |
| Federal funds purchased and securities sold under agreements to repurchase | | 2,580,038 |
| Demand notes issued to the U. S. Treasury | | 710,183 |
| Other borrowed money | | 331,922 |
| Mortgage indebtedness and obligations under capitalized leases | | 20,933 |
| Bank's liability on acceptances executed and outstanding | | 428,443 |
| Notes and debentures subordinated to deposits | | 151,280 |
| Other liabilities | | 822,051 |
| TOTAL LIABILITIES | | $ 43,477,676 |
| **EQUITY CAPITAL** | | |
| Perpetual preferred stock | | $ -0- |
| Common stock | | 363,903 |
| Surplus | | 828,037 |
| Undivided profits and capital reserves | | 1,648,364 |
| TOTAL EQUITY CAPITAL | | $ 2,840,304 |
| TOTAL LIABILITIES AND EQUITY CAPITAL | | $ 46,317,980 |

## STATE BANKS

| | | 1984 | 1985 | 1986 | 1987 | 1988 |
|---|---|---|---|---|---|---|
| Number of State Banks - January 1 | | 248 | 248 | 241 | 238 | 219 |
| Plus: | Charters Granted | 2 | 2 | 0 | 4 | 1 |
| | Conversions - National to State | 1 | 0 | 6 | 0 | 2 |
| Less: | Mergers/Consolidation/Purchase/Assumption | 2 | 6 | 9 | 21 | 17 |
| | Receiverships/Liquidations | 1 | 0 | 0 | 0 | 1 |
| | Conversions - State to National | 0 | 0 | 0 | 2 | 0 |
| | Conversions to Savings Banks | 0 | 3 | 0 | 0 | 0 |
| Number of State Banks - December 31 | | 248 | 241 | 238 | 219 | 204 |
| Number of State Bank Branches | | 1,142 | 1,141 | 1,165 | 1,133 | 1,128 |

## NATIONAL BANKS

| | 1984 | 1985 | 1986 | 1987 | 1988 |
|---|---|---|---|---|---|
| National Banks | 119 | 119 | 109 | 92 | 83 |

## CONVERSIONS

| | 1984 | 1985 | 1986 | 1987 | 1988 |
|---|---|---|---|---|---|
| State to National | 0 | 0 | 0 | 2 | 0 |
| National to State | 1 | 0 | 6 | 0 | 2 |

## NUMBER OF BANKS CHARTERED PER YEAR

| | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 |
|---|---|---|---|---|---|---|---|---|---|---|
| State Banks Affiliated with Bank Holding Companies | 6 | 2 | 1 | 2 | 1 | 1 | 1 | 0 | 2 | 0 |
| National Banks Affiliated with Bank Holding Companies | 1 | 3 | 1 | 1 | 0 | 1 | 1 | 0 | 1 | 0 |
| State Banks Not Affiliated with Bank Holding Companies | 0 | 0 | 1 | 0 | 0 | 1 | 1 | 0 | 2 | 1 |
| National Banks Not Affiliated with Bank Holding Companies | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 |

NOTE: All national bank data obtained from the Office of the Comptroller of the Currency.

## NEW BANKS

| Effective Date | Name of Bank | City-Main Office | Initial Capital |
|---|---|---|---|
| 05-02-88 | Portage Commerce Bank | Portage | $2,170,000.00 |

## NEW CAPITAL

| Name of Bank | City-Main Office | Sale of New Stock | Employee Stock Option Plan |
|---|---|---|---|
| Akron State Bank | Akron | $ 200,000.00 | |
| Republic Bank-North | Bellaire | $ 800,000.00* | |
| Republic Bank | Flint Township | $ 1,500,000.00* | |
| Bank of Hudsonville | Hudsonville | | $ 25,000.00 |
| Pioneer Bank | North Branch | $ 32,000.00 | |
| Key State Bank | Owosso | $ 183,580.00 | |
| Republic Bank-Central | Williamston | $ 1,286,765.00* | |

*Reflects total amount from 2 or more entries during the year.

## DECREASE IN PREFERRED STOCK

| Effective Date | Name of Bank | City | Amount |
|---|---|---|---|
| 02-19-88 | The Bank of Three Oaks | Three Oaks | $700,000.00 |

## MAIN OFFICE RELOCATIONS

| Effective Date | Name of Bank | City-Main Office | Locations Involved |
|---|---|---|---|
| 07-11-88 | Byron Center State Bank | Byron Center | From: 2475 - 84th Street, S.W.<br>To: 2445 - 84th Street, S.W.<br>Village of Byron Center, Kent County |
| 12-31-88 | *The State Savings Bank of South Lyon | South Lyon | From: 200 West Lake Street, South Lyon<br>To: 101 South Main Street<br>City of Ann Arbor, Washtenaw County |

*Relocation effected upon consolidation with another bank

## EXTENSION OFFICES ESTABLISHED

| Effective Date | Name of Bank | City-Main Office | Location of Extension Office |
|---|---|---|---|
| 05-04-88 | First of America Bank-Muskegon | Muskegon | 3251 South Henry Street, City of Roosevelt Park, Muskegon County (extension of branch at 875 West Norton Avenue, City of Roosevelt Park, Muskegon County) |

## NEW BRANCHES ESTABLISHED

| Effective Date | Name of Bank | City-Main Office | Location of Branch Office |
|---|---|---|---|
| 12-30-88 | Akron State Bank | Akron | 1100 East Caro Road<br>Almer Township, Tuscola County |
| 08-01-88 | Trustcorp Bank, Ann Arbor | Ann Arbor | 2300 East Stadium Boulevard<br>City of Ann Arbor, Washtenaw County |
| 05-23-88 | Republic Bank-North | Bellaire | 880 Munson Avenue<br>East Bay Township, Grand Traverse County |
| 05-09-88 | Tri-County Bank | Brown City | 6730 Newark Road<br>Imlay Township, Lapeer County |
| 04-18-88 | First of America Bank-Northern Michigan | Cheboygan | 1000 South Main Street<br>City of Cheboygan, Cheboygan County |
| 06-10-88 | NBD Genesee Bank | Flint | 4130 West Vienna Road<br>Vienna Township, Genesee County |
| 05-31-88 | First of America Bank-Frankenmuth | Frankenmuth | 4835 Towne Center, Suite 1<br>Saginaw Township, Saginaw County |
| 06-27-88 | First of America Bank-Monroe | Frenchtown Township | 2121 North Monroe Street<br>Frenchtown Square Mall<br>Frenchtown Township, Monroe County |
| 06-10-88 | United Bank of Michigan | Grand Rapids | 2620 Horizon Drive, S.E.<br>Cascade Township, Kent County |
| 10-03-88 | United Bank of Michigan | Grand Rapids | 1784 28th Street S.W.<br>City of Wyoming, Kent County |
| 02-08-88 | NBD Commerce Bank | Lansing | 1749 Grand River<br>Meridian Township, Ingham County |

## NEW BRANCHES ESTABLISHED - Continued

| Effective Date | Name of Bank | City-Main Office | Location of Branch Office |
|---|---|---|---|
| 09-01-88 | Monroe Bank & Trust | Monroe | 2121 North Monroe Street<br>Frenchtown Square Mall<br>Frenchtown Township, Monroe County |
| 10-13-88 | Monroe Bank & Trust | Monroe | 12601 Grafton Road<br>Village of Carleton, Monroe County |
| 11-14-88 | Old Kent Bank-Southwest | Niles | 715 Ship Street<br>City of St. Joseph, Berrien County |
| 06-15-88 | Security Bank and Trust Company | Southgate | 39465 Fourteen Mile Road<br>City of Novi, Oakland County |
| 01-18-88 | Republic Bank-Central | Williamston | 500 North Homer Street<br>Lansing Township, Ingham County |
| 09-08-88 | FMB-First Michigan Bank | Zeeland | 154 - 44th Street, S.W.<br>City of Wyoming, Kent County |

## BRANCHES ESTABLISHED VIA PURCHASE FROM ANOTHER INSTITUTION

| Effective Date | Name of Bank | City-Main Office | Location of Branch Office |
|---|---|---|---|
| 04-29-88 | Chemical Bank Bay Area | Bay City | 100 East Chippewa Street<br>Village of Kawkawlin, Bay County |
| 03-01-88 | Old Kent Bank of Brighton | Brighton | 6500 South Dixie Highway<br>Independence Township, Oakland County |
| 12-31-88 | State Bank of Caledonia* | Caledonia | 303 Arlington Street<br>Village of Middleville, Barry County |
| 1-05-88 | Chemical Bank and Trust Company | Midland | 232 West Midland Road<br>City of Auburn, Bay County |
| 12-10-88 | Isabella Bank and Trust** | Mt. Pleasant | 500 East Wright Street<br>Coe Township, Isabella County |
| 02-12-88 | The Peoples State Bank of St. Joseph | St. Joseph | 1075 Wilcox Avenue<br>Village of White Cloud, Newaygo County |
| 07-15-88 | Chemical Bank Huron | Standish | 3858 North M-13<br>Pinconning Township, Bay County |
| 06-01-88 | Bank One, Sturgis | Sturgis | 114 West Chicago Road<br>Village of White Pigeon, St. Joseph County |

* Former savings & loan branch
**Former national bank branch

## BRANCHES ESTABLISHED RESULTING FROM A CONSOLIDATION OR PURCHASE AND ASSUMPTION
(Former Main Offices)

| Effective Date | Name of Bank | City-Main Office | Location of Branch Office |
|---|---|---|---|
| 05-16-88 | Trustcorp Bank, Lenawee | Adrian | 130 South Lane<br>Village of Blissfield, Lenawee County |
| 12-31-88 | First of America Bank-Ann Arbor | Ann Arbor | 200 West Lake Street<br>City of South Lyon, Oakland County |
| 01-31-88 | Chemical Bank Bay Area | Bay City | 6522 Main Street<br>Village of Cass City, Tuscola County |
| 12-31-88 | NBD Cadillac Bank | Cadillac | 701 Lake Street<br>Village of Roscommon, Roscommon County |
| 02-01-88 | First of America Bank-Northern Michigan | Cheboygan | 320 Ashmun Street<br>City of Sault Ste. Marie, Chippewa County |
| 01-04-88 | Comerica Bank-Detroit | Detroit | 415 Fisher Road<br>City of Grosse Pointe, Wayne County |
| 01-04-88 | Comerica Bank-Detroit | Detroit | 33400 West Six Mile<br>City of Livonia, Wayne County |
| 01-04-88 | Comerica Bank-Detroit | Detroit | 27768 Novi Road<br>City of Novi, Oakland County |
| 01-04-88 | Comerica Bank-Detroit | Detroit | 27777 Franklin Road<br>City of Southfield, Oakland County |
| 01-04-88 | Comerica Bank-Detroit | Detroit | 36910 Van Dyke Road<br>Sterling Township, Macomb County |
| 01-04-88 | Comerica Bank-Detroit | Detroit | 4999 Crooks Road<br>City of Troy, Oakland County |
| 01-04-88 | Comerica Bank-Detroit | Detroit | 30500 Van Dyke<br>City of Warren, Macomb County |
| 01-01-88 | First of America Bank-Monroe | Frenchtown Township | 164 Raisin Street<br>Village of Deerfield, Lenawee County |
| 09-30-88 | Premier Bank | Jackson | 112 Jonesville Street<br>City of Litchfield, Hillsdale County |
| 06-01-88 | Old Kent Bank of Kalamazoo | Kalamazoo | 236 Hubbard<br>City of Allegan, Allegan County |
| 06-01-88 | Old Kent Bank of Kalamazoo | Kalamazoo | 67 West Michigan Mall<br>City of Battle Creek, Calhoun County |
| 06-01-88 | Old Kent Bank of Kalamazoo | Kalamazoo | 601 Phoenix Street<br>City of South Haven, Van Buren County |
| 06-01-88 | Old Kent Bank of Kalamazoo | Kalamazoo | 216 North Main Street<br>City of Three Rivers, St. Joseph County |
| 03-01-88 | Old Kent Bank-Central | Owosso | 12900 South Saginaw Street<br>City of Grand Blanc, Genesee County |

Note: Branches of the institutions consolidated continue as offices of the resulting bank but are not listed above.

## BRANCH CLOSINGS

| Effective Date | Name of Bank | City-Main Office | Location of Branch Office |
|---|---|---|---|
| 02-26-88 | First of America Bank-Thumb Area | Bad Axe | 7253 Main Street<br>Village of Owendale, Huron County |
| 01-08-88 | Old Kent Bank of Big Rapids | Big Rapids | 10505 Dwight Street<br>Village of Chippewa Lake, Mecosta County |
| 05-01-88 | Old Kent Bank and Trust Company | Grand Rapids | 11151 - 48th Avenue<br>Allendale Township, Ottawa County |
| 05-01-88 | Old Kent Bank and Trust Company | Grand Rapids | 0-294 Chicago Drive<br>Georgetown Township, Ottawa County |
| 05-01-88 | Old Kent Bank and Trust Company | Grand Rapids | 3175 - 28th Street<br>City of Grand Rapids, Kent County |
| 10-15-88 | Independent Bank | Ionia | 11947 East Fulton<br>Lowell Township, Kent County |
| 04-22-88 | *First of America Bank-Menominee | Menominee | 1231 Ninth Avenue<br>City of Menominee, Menominee County |
| 03-31-88 | *Pontiac State Bank | Pontiac | 3300 Auburn Road<br>City of Auburn Hills, Oakland County |
| 03-31-88 | *Pontiac State Bank | Pontiac | 970 West Long Lake Road<br>Bloomfield Township, Oakland County |
| 03-31-88 | *Pontiac State Bank | Pontiac | 2205 1/2 South Telegraph Road<br>Bloomfield Township, Oakland County |
| 03-31-88 | *Pontiac State Bank | Pontiac | 15 South Main Street<br>Village of Clarkston, Oakland County |
| 03-31-88 | *Pontiac State Bank | Pontiac | 2181 Pontiac Trail<br>Commerce Township, Oakland County |
| 03-31-88 | *Pontiac State Bank | Pontiac | 2801 Union Lake Road<br>Commerce Township, Oakland County |
| 03-31-88 | *Pontiac State Bank | Pontia | 4750 Dixie Highway<br>City of Drayton Plains, Oakland County |
| 03-31-88 | *Pontiac State Bank | Pontiac | 2886 East Highland Road<br>Highland Township, Oakland County |
| 03-31-88 | *Pontiac State Bank | Pontiac | 6670 Dixie Highway<br>Independence Township, Oakland County |
| 03-31-88 | *Pontiac State Bank | Pontiac | 5601 Sashabaw Road<br>Independence Township, Oakland County |
| 03-31-88 | *Pontiac State Bank | Pontiac | 990 South Lapeer Road<br>Oxford Township, Oakland County |
| 03-31-88 | *Pontiac State Bank | Pontiac | 1261 Baldwin Avenue<br>City of Pontiac, Oakland County |
| 03-31-88 | *Pontiac State Bank | Pontiac | 4260 Elizabeth Lake Road<br>City of Pontiac, Oakland County |
| 03-31-88 | *Pontiac State Bank | Pontiac | 900 Joslyn Avenue<br>City of Pontiac, Oakland County |
| 03-31-88 | *Pontiac State Bank | Pontiac | 3205 South Boulevard East<br>Pontiac Township, Oakland County |
| 03-31-88 | *Pontiac State Bank | Pontiac | 2240 North Opdyke Road<br>Pontiac Township, Oakland County |
| 03-31-88 | *Pontiac State Bank | Pontiac | 7007 Highland Road<br>Waterford Township, Oakland County |

BRANCH CLOSINGS - Continued

| Effective Date | Name of Bank | City-Main Office | Location of Branch Office |
|---|---|---|---|
| 03-31-88 | *Pontiac State Bank | Pontiac | 3166 West Huron Street<br>Waterford Township, Oakland County |
| 03-31-88 | *Pontiac State Bank | Pontiac | 315 North Telegraph Road<br>Waterford Township, Oakland County |
| 03-31-88 | *Pontiac State Bank | Pontiac | 1111 Round Lake Road<br>White Lake Township, Oakland County |
| 12-30-88 | The State Savings Bank of South Lyon | South Lyon | 9585 Six Mile Road<br>Village of Salem |
| 08-05-88 | Old Kent Bank-Southeast | Trenton | 3660 West Road<br>City of Trenton, Wayne County |
| 04-01-88 | *First of America Bank-Wayne Oakland | Royal Oak | 2015 Walton Boulevard<br>Avon Township, Oakland County |
| 04-01-88 | *First of America Bank-Wayne Oakland | Royal Oak | 2925 Oakwood Boulevard<br>City of Berkley, Oakland County |
| 04-01-88 | *First of America Bank-Wayne Oakland | Royal Oak | 2925 West Twelve Mile Road<br>City of Berkley, Oakland County |
| 04-01-88 | *First of America Bank-Wayne Oakland | Royal Oak | 1054 North Woodward Avenue<br>Bloomfield Township, Oakland County |
| 04-01-88 | *First of America Bank-Wayne Oakland | Royal Oak | 150 North Main Street<br>City of Clawson, Oakland County |
| 04-01-88 | *First of America Bank-Wayne Oakland | Royal Oak | 13504 Woodward Avenue<br>City of Highland Park, Wayne County |
| 04-01-88 | *First of America Bank-Wayne Oakland | Royal Oak | 114-116 South Stephenson Highway<br>City of Royal Oak, Oakland County |
| 04-01-88 | *First of America Bank-Wayne Oakland | Royal Oak | 3127 North Woodward Avenue<br>City of Royal Oak, Oakland County |
| 04-01-88 | *First of America Bank-Wayne Oakland | Royal Oak | 1710 East Twelve Mile Road<br>City of Royal Oak, Oakland County |
| 04-01-88 | *First of America Bank-Wayne Oakland | Royal Oak | 125 East Fourth Street<br>City of Royal Oak, Oakland County |
| 04-01-88 | *First of America Bank-Wayne Oakland | Royal Oak | 3535 West Thirteen Mile Road<br>City of Royal Oak, Oakland County |
| 04-01-88 | *First of America Bank-Wayne Oakland | Royal Oak | 2600 West Fourteen Mile Road<br>City of Royal Oak, Oakland County |
| 04-01-88 | *First of America Bank-Wayne Oakland | Royal Oak | 400 South Main Street<br>City of Royal Oak, Oakland County |
| 04-01-88 | *First of America Bank-Wayne Oakland | Royal Oak | 17430 West Thirteen Mile Road<br>Southfield Township, Oakland County |
| 04-01-88 | *First of America Bank-Wayne Oakland | Royal Oak | 6024 Livernois Road<br>City of Troy, Oakland County |
| 04-01-88 | *First of America Bank-Wayne Oakland | Royal Oak | 725 East Big Beaver Road<br>City of Troy, Oakland County |
| 04-01-88 | *First of America Bank-Wayne Oakland | Royal Oak | 1441 East Maple Road<br>City of Troy, Oakland County |
| 04-01-88 | *First of America Bank-Wayne Oakland | Royal Oak | 755 West Big Beaver Road<br>City of Troy, Oakland County |
| 04-01-88 | *First of America Bank-Wayne Oakland | Royal Oak | 80 East Long Lake Road<br>City of Troy, Oakland County |

*Re-established as offices of a National bank resulting from a consolidation or conversion.

## BRANCH OFFICE RELOCATIONS

| Effective Date | Name of Bank | City-Main Office | Locations Involved | |
|---|---|---|---|---|
| 05-09-88 | Citizens Commercial & Savings Bank | Flint | From:<br>To: | G-4130 East Court Street<br>G-4256 East Court Street<br>City of Burton, Genesee County |
| 06-27-88 | First of America Bank-Muskegon | Muskegon | From:<br>To: | 1465 Apple Avenue<br>2424 Apple Avenue<br>City of Muskegon, Muskegon County |
| 03-15-88 | Key State Bank | Owosso | From:<br>To: | 1083 East Main Street<br>1345 East Main Street<br>Caledonia Township, Shiawassee County |
| 01-18-88 | MNB Saginaw | Saginaw | From:<br>To: | 195 East Huron Road<br>134 South Main Street<br>City of Vassar, Tuscola County |

## CONTRACTUAL BRANCH AGREEMENTS

The following banks have entered into a Contractual Branch Agreement with one another to provide certain banking services to each others' customers.

| Effective Date | Name of Bank* | City-Main Office |
|---|---|---|
| 12-15-88 | Chemical Bank Bay Area | Bay City |
| | Chemical Bank Gladwin County | Beaverton |
| | Chemical Bank Central | Big Rapids |
| | Chemical Bank West | Cadillac |
| | Chemical Bank Michigan | Clare |
| | Chemical Bank North | Grayling |
| | Chemical Bank South | Marshall |
| | Chemical Bank and Trust Company | Midland |
| | Chemical Bank Huron | Standish |
| | Chemical Bank Montcalm | Stanton |

*All affiliates of Chemical Financial Corporation

## CHANGE IN CORPORATE NAME

| Effective Date | City-Main Office | From | To |
|---|---|---|---|
| 05-02-88 | Adrian | Commercial Savings Bank | Trustcorp Bank, Lenawee |
| 05-02-88 | Ann Arbor | Citizens Trust | Trustcorp Bank, Ann Arbor |
| 03-01-88 | Cheboygan | First of America Bank-Straits Area | First of America Bank-Northern Michigan |
| 08-01-88 | Clare | Chemical Bank Clare | Chemical Bank Michigan |
| 01-01-88 | Frenchtown Township | First of America Bank-Erie | First of America Bank-Monroe |
| 07-18-88 | Greenville | Commercial Bank | FMB-Commercial Bank |
| 09-30-88 | Jackson | Michigan Bank-Midwest | Premier Bank |
| 05-02-88 | Ypsilanti | Ypsilanti Savings Bank | Trustcorp Bank, Ypsilanti |

## CONSOLIDATIONS

| Effective Date | Name of Bank | City-Main Office |
|---|---|---|
| 06-01-88 | Old Kent Bank of Allegan. . . . . Consolidated with and into Old Kent Bank of Kalamazoo (a section 172 bank), Kalamazoo, under the charter and name of Old Kent Bank of Kalamazoo. | Allegan |
| 12-31-88 | First of America Bank-Ann Arbor . . . . . Consolidated with and into The State Savings Bank of South Lyon, South Lyon, under the charter of The State Savings Bank of South Lyon and under the name of First of America Bank-Ann Arbor. | Ann Arbor |
| 06-01-88 | Old Kent Bank of Battle Creek . . . . . Consolidated with and into Old Kent Bank of Kalamazoo (a section 172 bank), Kalamazoo, under the charter and name of Old Kent Bank of Kalamazoo. | Battle Creek |
| 05-16-88 | The Jipson-Carter State Bank. . . . . Consolidated with and into Trustcorp Bank, Lenawee (a section 172 bank), Adrian, under the charter and name of Trustcorp Bank, Lenawee. | Blissfield |
| 01-31-88 | Chemical Bank Cass City . . . . . Consolidated with and into Chemical Bank Bay Area (a section 172 bank), Bay City, under the charter and name of Chemical Bank Bay Area. | Cass City |
| 01-01-88 | First of America Bank-Deerfield . . . . . Consolidated with and into Erie State Bank, Frenchtown Township, under the charter of Erie State Bank and under the name of First of America Bank-Erie. | Deerfield |
| 03-01-88 | Old Kent Bank of Grand Blanc. . . . . Consolidated with and into Old Kent Bank-Central (a section 172 bank), Owosso, under the charter and name of Old Kent Bank-Central. | Grand Blanc |
| 01-04-88 | Comerica Bank-Grosse Pointe, National Association . . . . . Consolidated with and into Comerica Bank-Detroit (a section 172 bank), Detroit, under the charter and name of Comerica Bank-Detroit. | Grosse Pointe |
| 09-30-88 | Michigan Bank-Mid South . . . . . Consolidated with and into Michigan Bank-Midwest (a section 172 bank), Jackson, under the charter and name of Michigan Bank-Midwest. | Litchfield |
| 01-04-88 | Comerica Bank-Livonia . . . . . Consolidated with and into Comerica Bank-Detroit (a section 172 bank), Detroit, under the charter and name of Comerica Bank-Detroit. | Livonia |
| 04-22-88 | First of America Bank-Menominee . . . . . Consolidated with and into First of America Bank-Marquette, National Association (a section 172 bank), Marquette, under the charter and name of First of America Bank-Marquette, National Association. | Menominee |
| 01-04-88 | Comerica Bank-Metro West, National Association. . . . . Consolidated with and into Comerica Bank-Detroit (a section 172 bank), Detroit, under the charter and name of Comerica Bank-Detroit. | Novi |
| 04-01-88 | First of America Bank-Oakland Macomb, National Association. . . . . Consolidated with and into First of America Bank-Detroit, National Association, Detroit, under the charter of First of America Bank-Detroit, National Association and under the name of First of America Bank-Southeast Michigan, National Association. | Pontiac |
| 03-31-88 | Pontiac State Bank. . . . . Consolidated with and into National Bank of Detroit, Detroit, under the charter and name of National Bank of Detroit. | Pontiac |
| 12-31-88 | NBD Roscommon Bank. . . . . Consolidated with and into NBD Cadillac Bank (a section 172 bank), Cadillac, under the charter and name of NBD Cadillac Bank. | Roscommon |
| 04-01-88 | First of America Bank-Wayne Oakland . . . . . Consolidated with and into First of America Bank-Detroit, National Association, Detroit, under the charter of First of America Bank-Detroit, National Association and under the name of First of America Bank-Southeast Michigan, National Association. | Royal Oak |

## CONSOLIDATIONS - Continued

| Effective Date | Name of Bank | City-Main Office |
|---|---|---|
| 03-01-88 | First of America Bank-Sault Ste. Marie, National Association. . . . . Consolidated with and into First of America Bank-Straits Area (a section 172 bank), Cheboygan, under the charter and name of First of America Bank-Straits Area. | Sault Ste. Marie |
| 06-01-88 | Old Kent Bank of South Haven. . . . . Consolidated with and into Old Kent Bank of Kalamazoo (a section 172 bank), Kalamazoo, under the charter and name of Old Kent Bank of Kalamazoo. | South Haven |
| 01-04-88 | Comerica Bank-Southfield. . . . . Consolidated with and into Comerica Bank-Detroit (a section 172 bank), Detroit, under the charter and name of Comerica Bank-Detroit. | Southfield |
| 01-04-88 | Comerica Bank-Metro East, National Association. . . . . Consolidated with and into Comerica Bank-Detroit (a section 172 bank), Detroit, under the charter and name of Comerica Bank-Detroit. | Sterling Heights |
| 06-01-88 | Old Kent Bank of Three Rivers . . . . . Consolidated with and into Old Kent Bank of Kalamazoo (a section 172 bank), Kalamazoo, under the charter and name of Old Kent Bank of Kalamazoo. | Three Rivers |
| 01-04-88 | Comerica Bank-Troy. . . . . Consolidated with and into Comerica Bank-Detroit (a section 172 bank), Detroit, under the charter and name of Comerica Bank-Detroit. | Troy |
| 01-04-88 | Comerica Bank-Warren, National Association. . . . . Consolidated with and into Comerica Bank-Detroit (a section 172 bank), Detroit, under the charter and name of Comerica Bank-Detroit. | Warren |

## PURCHASE AND ASSUMPTION

| Effective Date | Name of Bank | City-Main Office |
|---|---|---|
| 02-12-88 | The First State Bank. . . . . Purchase of assets and assumption of liabilities by The Peoples State Bank of St. Joseph, St. Joseph, Michigan. | White Cloud |

## CONVERSIONS

| Effective Date | Name of Bank | City-Main Office |
|---|---|---|
| 04-30-88 | FNB National Bank . . . . . Converted into a state banking association known as Chemical Bank Central, Big Rapids. | Big Rapids |
| 04-30-88 | Bank of West Branch, National Association . . . . . Converted into a state banking association known as Bank of West Branch, West Branch. | West Branch |

## INSTITUTIONS AUTHORIZED TO EXERCISE TRUST POWERS

Institutions authorized to exercise full trust powers in accordance with sections 181 through 186 of the Michigan Banking Code of 1969:

| Name of Bank | City-Main Office |
|---|---|
| Bank of Alma | Alma |
| First of America Bank-Alpena | Alpena |
| First of America Bank-Ann Arbor | Ann Arbor |
| Trustcorp Bank, Ann Arbor | Ann Arbor |
| Comerica Bank-Battle Creek | Battle Creek |
| Inter-City Bank | Benton Harbor |
| Old Kent Bank of Big Rapids | Big Rapids |
| Farmers State Bank of Breckenridge | Breckenridge |
| First of America Bank-Copper Country | Calumet |
| Branch County Bank | Coldwater |
| Dearborn Bank and Trust Company | Dearborn |
| Comerica Bank-Detroit | Detroit |
| River Place Financial Corp. | Detroit |
| Bank One, East Lansing | East Lansing |
| Huron Community Bank | East Tawas |
| Citizens Commercial & Savings Bank | Flint |
| NBD Genesee Bank | Flint |
| First of America Bank-Frankenmuth | Frankenmuth |
| The Old State Bank of Fremont | Fremont |
| NBD Grand Haven | Grand Haven |
| Grand Bank | Grand Rapids |
| Old Kent Bank and Trust Company | Grand Rapids |
| FMB-Commercial Bank | Greenville |
| Liberty State Bank & Trust | Hamtramck |
| The Hastings City Bank | Hastings |
| The Peninsula Bank | Ishpeming |
| Comerica Bank-Kalamazoo | Kalamazoo |
| Old Kent Bank of Kalamazoo | Kalamazoo |
| First of America Bank-Central | Lansing |
| Lapeer County Bank & Trust Co. | Lapeer |
| Chemical Bank and Trust Company | Midland |
| Comerica Bank-Midland | Midland |
| Monroe Bank & Trust | Monroe |
| Security Bank of Monroe | Monroe |
| First Macomb Bank | Mount Clemens |
| Isabella Bank and Trust | Mount Pleasant |
| First of America Bank-Muskegon | Muskegon |
| FMB-Lumberman's Bank | Muskegon |
| Key State Bank | Owosso |
| The Commercial and Savings Bank of St. Clair County | St. Clair |
| Clinton Bank and Trust Company | St. Johns |
| The Peoples State Bank of St. Joseph | St. Joseph |
| State Savings Bank of Scottville | Scottville |
| Citizens Trust and Savings Bank | South Haven |
| Security Bank and Trust Company | Southgate |
| Bank One, Sturgis | Sturgis |
| United Savings Bank of Tecumseh | Tecumseh |
| Old Kent Bank-Grand Traverse | Traverse City |
| Trenton Bank and Trust Company | Trenton |
| Wyandotte Savings Bank | Wyandotte |
| FMB-First Michigan Bank | Zeeland |

Institutions authorized to exercise specifically limited trust powers:

| Name of Bank | City-Main Office |
|---|---|
| FMB-Community Bank | Dowagiac |
| State Savings Bank, Frankfort, Mich. | Frankfort |
| Bank of Commerce | Hamtramck |
| Peoples State Bank | Hamtramck |
| Harbor Springs State Bank | Harbor Springs |
| FMB-State Savings Bank | Lowell |
| G. W. Jones Exchange Bank | Marcellus |
| Kalamazoo County State Bank | Schoolcraft |

# TRUST SERVICES
## AS OF DECEMBER 31, 1988

State banks which have contracted with another bank (state banking corporation or national association) to either provide trust services in its name and for its account at one or more of the banking offices of the other bank or to permit a state or national bank having its principal office in this state and exercising full trust powers to carry on trust services at one or more of its banking offices pursuant to section 181a of the Michigan Banking Code of 1969.

| Name of Host Bank | City-Main Office | Name of Provider Bank | City-Main Office |
|---|---|---|---|
| Bank of Lenawee | Adrian | Comerica Bank-Detroit | Detroit |
| Trustcorp Bank, Lenawee | Adrian | Trustcorp Bank, Ann Arbor | Ann Arbor |
| The Algonac Savings Bank | Algonac | The Commercial and Savings Bank of St. Clair County | St. Clair |
| NBD Alpena Bank | Alpena | National Bank of Detroit | Detroit |
| Comerica Bank-Ann Arbor, N.A. | Ann Arbor | Comerica Bank-Detroit | Detroit |
| Manufacturers National Bank of Ann Arbor | Ann Arbor | Manufacturers National Bank of Detroit | Detroit |
| First of America Bank-Thumb Area | Bad Axe | First of America Bank-Bay City, N.A. | Bay City |
| Chemical Bank Bay Area | Bay City | Chemical Bank and Trust Company | Midland |
| Chemical Bank Gladwin County | Beaverton | Chemical Bank and Trust Company | Midland |
| *Chemical Bank Central | Big Rapids | Chemical Bank and Trust Company | Midland |
| Old Kent Bank of Big Rapids | Big Rapids | Old Kent Bank and Trust Company | Grand Rapids |
| Fidelity Bank | Birmingham | National Bank of Detroit | Detroit |
| Old Kent Bank of Brighton | Brighton | Old Kent Bank and Trust Company | Grand Rapids |
| Chemical Bank West | Cadillac | Chemical Bank and Trust Company | Midland |
| NBD Cadillac Bank | Cadillac | National Bank of Detroit | Detroit |
| Old Kent Bank of Cadillac | Cadillac | Old Kent Bank and Trust Company | Grand Rapids |
| First of America Bank-Copper Country | Calumet | First of America Bank-Marquette, N.A. | Marquette |
| The Peoples State Bank of Caro, Michigan | Caro | NBD Genesee Bank | Flint |
| State Savings Bank of Caro | Caro | National Bank of Detroit | Detroit |
| The Cass City State Bank | Cass City | National Bank of Detroit | Detroit |
| Charlevoix County State Bank | Charlevoix | National Bank of Detroit | Detroit |
| First State Bank of Charlevoix | Charlevoix | Manufacturers National Bank of Detroit | Detroit |
| Citizens National Bank of Cheboygan | Cheboygan | Comerica Bank Detroit | Detroit |
| First of America Bank-Northern Michigan | Cheboygan | First of America Bank-Marquette, N.A. | Marquette |
| Chelsea State Bank | Chelsea | NBD Ann Arbor, N.A. | Ann Arbor |
| Chemical Bank Michigan | Clare | Chemical Bank and Trust Company | Midland |
| State Bank of Croswell | Croswell | National Bank of Detroit | Detroit |
| Sanilac County Bank | Deckerville | National Bank of Detroit | Detroit |
| FMB-Community Bank | Dowagiac | FMB-First Michigan Bank | Zeeland |
| NBD Monroe County Bank | Dundee | NBD Ann Arbor, N.A. | Ann Arbor |
| Northwestern State Bank | East Jordan | Manufacturers National Bank of Detroit | Detroit |
| *First State Bank of East Detroit | East Detroit | The Commercial and Savings Bank of St. Clair County | St. Clair |

TRUST SERVICES - Continued

| Name of Host Bank | City-Main Office | Name of Provider Bank | City-Main Office |
|---|---|---|---|
| Huron Community Bank | East Tawas | Dearborn Bank and Trust Company | Dearborn |
| State Bank of Escanaba | Escanaba | First of America Bank-Michigan, N.A. | Kalamazoo |
| The Farwell State Savings Bank | Farwell | National Bank of Detroit | Detroit |
| The State Bank | Fenton | Comerica Bank-Detroit | Detroit |
| NBD Genesee Bank | Flint | National Bank of Detroit | Detroit |
| Community State Bank of Fowlerville | Fowlerville | NBD Genesee Bank | Flint |
| First of America Bank-Frankenmuth | Frankenmuth | First of America Bank-Bay City, N.A. | Bay City |
| The State Bank of Fraser | Fraser | Security Bank and Trust Company | Southgate |
| First National Bank of Gaylord | Gaylord | Comerica Bank-Detroit | Detroit |
| Old Kent Bank of Gaylord | Gaylord | Old Kent Bank and Trust Company | Grand Rapids |
| First of America Bank-Mid Michigan | Gladwin | First of America Bank-Central | Lansing |
| NBD Grand Haven | Grand Haven | NBD Grand Rapids, N.A. | Grand Rapids |
| Old Kent Bank of Grand Haven | Grand Haven | Old Kent Bank and Trust Company | Grand Rapids |
| FMB-First Michigan Bank-Grand Rapids, N.A. | Grand Rapids | FMB-First Michigan Bank | Zeeland |
| Manufacturers National Bank of Grand Rapids | Grand Rapids | Manufacturers National Bank of Detroit | Detroit |
| United Bank of Michigan | Grand Rapids | Manufacturers National Bank of Detroit | Detroit |
| Chemical Bank North | Grayling | Chemical Bank and Trust Company | Midland |
| Grayling State Bank | Grayling | Manufacturers National Bank of Detroit | Detroit |
| FMB-Commercial Bank | Greenville | NBD Grand Rapids, N.A. | Grand Rapids |
| Farmers and Merchants State Bank of Hale | Hale | Key State Bank | Owosso |
| Bank of Commerce | Hamtramck | Security Bank and Trust Company | Southgate |
| Harbor Springs State Bank | Harbor Springs | Manufacturers National Bank of Detroit | Detroit |
| Old Kent Bank of Hillsdale | Hillsdale | Old Kent Bank and Trust Company | Grand Rapids |
| Old Kent Bank of Holland | Holland | Old Kent Bank and Trust Company | Grand Rapids |
| First of America Bank-Livingston | Howell | First of America Bank-Bay City, N.A. | Bay City |
| Bank of Hudsonville | Hudsonville | NBD Grand Rapids, N.A. | Grand Rapids |
| Premier Bank | Jackson | Michigan National Bank | Farmington Hills |
| Old Kent Bank of Kalamazoo | Kalamazoo | Old Kent Bank and Trust Company | Grand Rapids |
| *The Kingston State Bank | Kingston | NBD Genesee Bank | Flint |
| Union Bank | Lake Odessa | National Bank of Detroit | Detroit |
| Comerica Bank-Lansing, N.A. | Lansing | Comerica Bank Detroit | Detroit |
| Manufacturers Bank of Lansing | Lansing | Manufacturers National Bank of Detroit | Detroit |
| NBD Commerce Bank | Lansing | National Bank of Detroit | Detroit |
| Old Kent Bank of Lansing, N.A. | Lansing | Old Kent Bank and Trust Company | Grand Rapids |
| First of America Bank-Lapeer, N.A. | Lapeer | First of America Bank-Bay City, N.A. | Bay City |
| Old Kent Bank of Ludington | Ludington | Old Kent Bank and Trust Company | Grand Rapids |

TRUST SERVICES - Continued

| Name of Host Bank | City-Main Office | Name of Provider Bank | City-Main Office |
|---|---|---|---|
| Antrim County State Bank. . . . . | Mancelona | National Bank of Detroit. . . . . | Detroit |
| *First of America Bank-Manistee. . . . . | Manistee | First of America Bank-Marquette, N.A. . . | Marquette |
| The State Savings Bank of Manistique. . | Manistique | The First National Bank & Trust Company of Marquette. . . . . | Marquette |
| Chemical Bank South . . . . . | Marshall | Chemical Bank and Trust Company . . . . . | Midland |
| Mason State Bank. . . . . | Mason | Bank One, East Lansing. . . . . | East Lansing |
| First Macomb Bank . . . . . | Mount Clemens | National Bank of Detroit. . . . . | Detroit |
| First of America Bank-Mt. Pleasant. . . | Mount Pleasant | First of America Bank-Bay City, N.A. . . . | Bay City |
| Peoples State Bank of Munising. . . . . | Munising | The First National Bank & Trust Company of Marquette. . . . . | Marquette |
| Old Kent Bank-Southwest . . . . . | Niles | Old Kent Bank and Trust Company . . . . . | Grand Rapids |
| Pioneer Bank. . . . . | North Branch | National Bank of Detroit. . . . . | Detroit |
| First of America Bank-Oscoda. . . . . | Oscoda | First of America Bank-Bay City, N.A. . . | Bay City |
| Old Kent Bank-Central . . . . . | Owosso | Old Kent Bank and Trust Company . . . . . | Grand Rapids |
| Old Kent Bank of Petoskey . . . . . | Petoskey | Old Kent Bank and Trust Company . . . . . | Grand Rapids |
| NBD Portage Bank. . . . . | Portage | National Bank of Detroit. . . . . | Detroit |
| Maynard-Allen State Bank. . . . . | Portland | NBD Grand Rapids, N.A. . . . . | Grand Rapids |
| *Macomb County Bank. . . . . | Richmond | The Commercial and Savings Bank of St. Clair County . . . . . | St. Clair |
| Security Bank Northeast . . . . . | Richmond | Security Bank and Trust Company . . . . . | Southgate |
| NBD Saginaw . . . . . | Saginaw | National Bank of Detroit. . . . . | Detroit |
| NBD Saginaw . . . . . | Saginaw | NBD Genesee Bank . . . . . | Flint |
| Security Bank St. Clair Shores. . . . . | St. Clair Shores | Security Bank and Trust Company . . . . . | Southgate |
| Old Kent Bank of St. Johns. . . . . | St. Johns | Old Kent Bank and Trust Company . . . . . | Grand Rapids |
| NBD Sandusky Bank . . . . . | Sandusky | National Bank of Detroit. . . . . | Detroit |
| Central Savings Bank. . . . . | Sault Ste. Marie | First National Bank and Trust Company . . | Petoskey |
| *Sparta State Bank . . . . . | Sparta | Old Kent Bank and Trust Company . . . . . | Grand Rapids |
| Chemical Bank Huron . . . . . | Standish | Chemical Bank and Trust Company . . . . . | Midland |
| Chemical Bank Montcalm. . . . . | Stanton | Chemical Bank and Trust Company . . . . . | Midland |
| Bank of Stephenson. . . . . | Stephenson | National Bank of Detroit. . . . . | Detroit |
| Old Kent Bank-Grand Traverse. . . . . | Traverse City | Old Kent Bank and Trust Company . . . . . | Grand Rapids |
| Old Kent Bank-Southeast . . . . . | Trenton | Old Kent Bank and Trust Company . . . . . | Grand Rapids |
| Trenton Bank and Trust Company. . . . . | Trenton | Security Bank and Trust Company . . . . . | Southgate |
| First of America Bank-West Branch . . . | West Branch | First of America Bank-Bay City, N.A. . . | Bay City |
| Republic Bank-Central . . . . . | Williamston | National Bank of Detroit. . . . . | Detroit |
| Wyandotte Savings Bank. . . . . | Wyandotte | National Bank of Detroit. . . . . | Detroit |

*Entered into trust services agreements during 1988.
#Limited purpose trust services agreement providing for the transferring of accounts with "nonobjecting" clients to either bank.